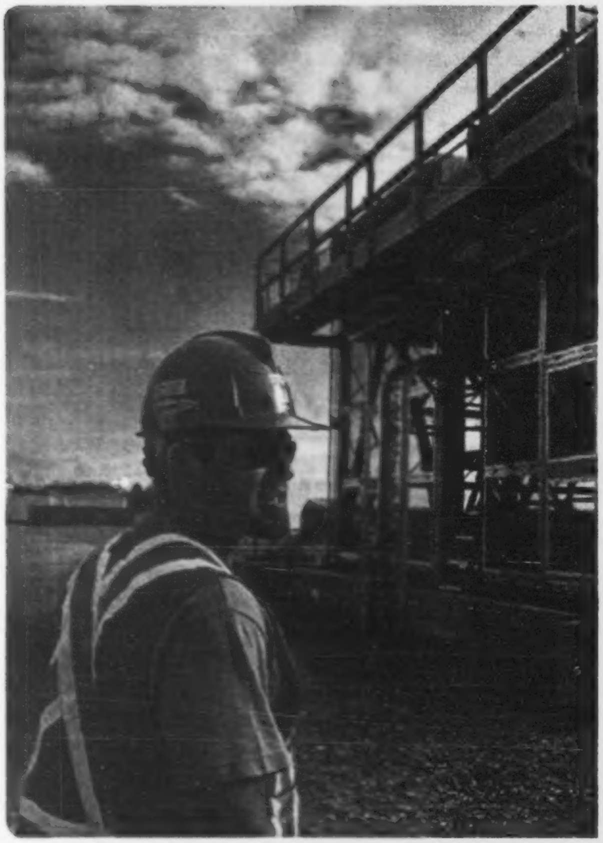
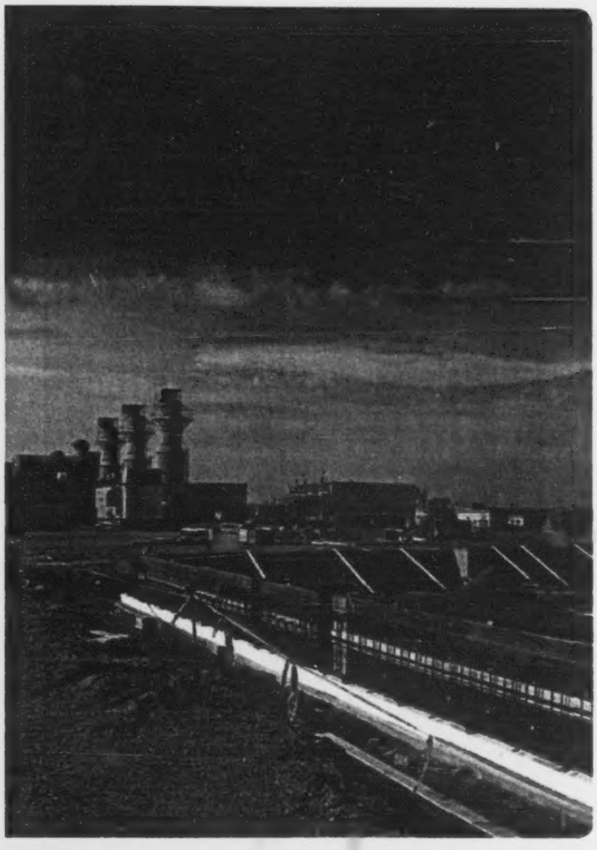




The changing energy landscape

SaskPower Annual Report
2010

SaskPower
Powering the future

2010 snapshot

$179 million
operating income

10.4%
operating return on equity

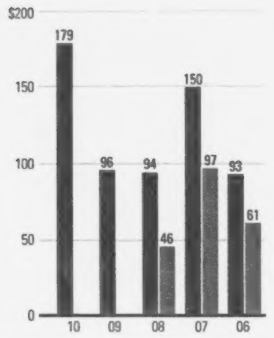
$565 million
capital expenditures

138 megawatts
of net capacity added to the grid, complemented by the completion of new transmission, distribution and substation projects

$2 billion
in spending expected to be saved or avoided in 10 years through newly-launched Business Renewal Program

5 year
Workforce Plan development underway, while SaskPower recognized as one of Saskatchewan's top 20 employers and one of Canada's best diversity employers

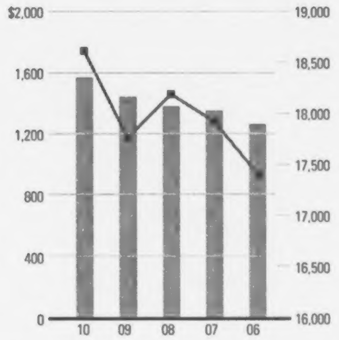
64 registered
charities and not-for-profit agencies throughout Saskatchewan received over $1.5 million in support in areas that include culture, sports and recreation; diversity; environment; and education



OPERATING INCOME AND DIVIDENDS (millions)

■ OPERATING INCOME ■ DIVIDENDS

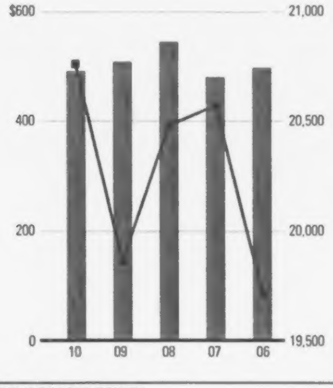
Since 2008, SaskPower has not paid any dividends as all earnings have been reinvested in the Corporation's capital program.



SASKATCHEWAN ELECTRICITY SALES

▨ ELECTRICITY SALES (MILLIONS) —●— ELECTRICITY SALES (GWH)

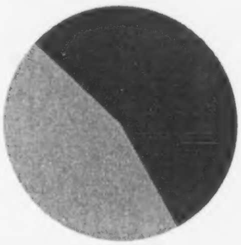
Saskatchewan electricity sales were up $128 million or 9% compared to 2009, due to the system-wide average rate increases. Sales volumes also rose 853 GWh, or 5% over the same period.



NET FUEL AND PURCHASED POWER

■ NET FUEL AND PURCHASED POWER (MILLIONS) —●— GROSS ELECTRICITY SUPPLIED (GWH)

Net fuel and purchased power costs decreased in 2010 as a result of favourable changes in the price and fuel mix variances offset by higher generation volumes.



CAPITAL EXPENDITURES – $565 million

■ GENERATION 41% ■ OTHER 14%
▨ TRANSMISSION AND DISTRIBUTION 45%

SaskPower has invested $2.2 billion in its capital infrastructure over the last five years.

FINANCIAL INDICATORS

(in millions)	2010	2009	Change
Revenue	**$ 1,751**	$ 1,546	$ 205
Expense	**1,591**	1,443	148
Net income	**160**	103	57
Operating income[1]	**179**	96	83
Capital expenditures	**565**	640	(75)
Gross long-term debt	**2,782**	2,571	211
Short-term advances	**159**	272	(113)
Return on equity[2]	**9.3%**	6.5%	2.8%
Operating return on equity[3]	**10.4%**	6.1%	4.3%
Per cent debt ratio[4]	**59.7%**	61.4%	(1.7%)

1. Operating income is a non-GAAP measure, whose nearest GAAP measure is net income. This non-GAAP measure provides management and shareholders with a measurement of operating performance that is readily comparable from period to period. Refer to the non-GAAP measures section on page 64 of Management's Discussion & Analysis for further information.
2. Return on equity = (net income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)]/2.
3. Operating return on equity = (operating income)/(average equity).
4. Per cent debt ratio = (debt)/(debt + equity), where debt = (gross long-term debt + short-term advances + bank indebtedness – debt retirement funds – cash and cash equivalents).

OPERATING STATISTICS

(GWh[5])	2010	2009	Change
Saskatchewan electricity sales	**18,618**	17,765	853
Exports	**244**	224	20
Total electricity sales	**18,862**	17,989	873
Gross electricity supplied	**20,759**	19,864	895
Line losses	**(1,897)**	(1,875)	(22)
Net electricity supplied	**18,862**	17,989	873
Electricity trading purchases	**619**	1,524	(905)
Line losses	**(6)**	(63)	57
Electricity trading sales	**613**	1,461	(848)
Generating capacity (net MW[6])	**3,982**	3,840	142
Peak load (net MW[6])	**3,162**	3,231	(69)
Customers	**473,007**	467,329	5,678

5. One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.
6. Megawatt (MW) is a unit of bulk power; 1,000 kilowatts. The unit is generally used to describe the output of a commercial generator.

Cover

Because we're a utility responsible for energizing an entire province, as Saskatchewan changes so must SaskPower. In 2010, our company continued to strengthen our service to customers by commissioning the 138-megawatt Yellowhead Power Station at North Battleford.

Norm Poirier, Civil Construction Engineer-in-Training, assisted in the development of the peaking generating station. SaskPower is adding more gas-fired capacity to meet the growing demand for electricity and strengthen the grid for the addition of more wind generation.

Letter of transmittal

Regina
March 2011

To His Honour
The Honourable Dr. Gordon L. Barnhart, S.O.M., PhD
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 2010.

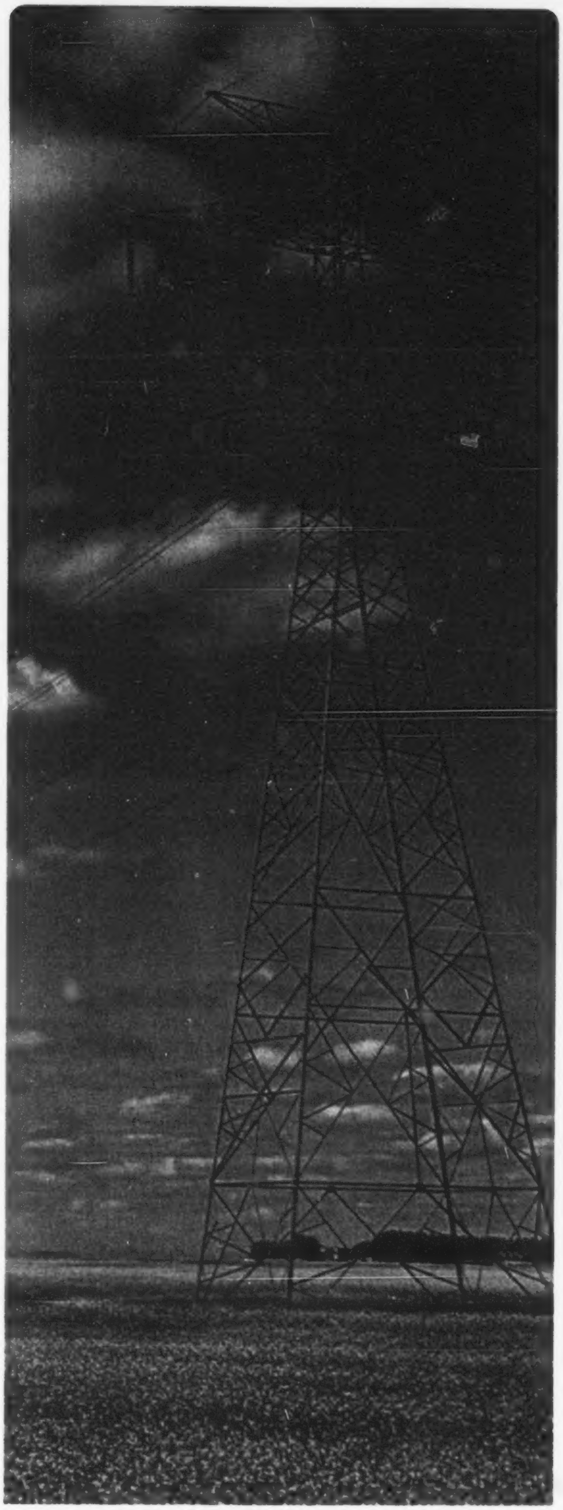
The report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Sir, your obedient servant,

Honourable Rob Norris
Minister Responsible for Saskatchewan Power Corporation

CONTENTS

4 A message to our stakeholders
6 Our company's strategy
7 Our strategic priorities at work
30 Corporate governance
42 Management's discussion & analysis
75 Consolidated financial statements and notes
103 Five-year financial summary
104 Five-year revenue statistics
105 Five-year generating and operating statistics
106 System map



CORPORATE PROFILE

Established in 1929, SaskPower is Saskatchewan's leading energy supplier. We are defined by our commitment to support economic growth and enhance the quality of life in our province. Our corporate mission: safe, reliable and sustainable power for our customers.

SaskPower's team is made up of over 2,700 permanent full-time employees. We manage $5.3 billion in generation, transmission and distribution assets. Our company operates three coal-fired power stations, seven hydroelectric stations, six natural gas stations and two wind facilities. Combined, they generate 3,513 megawatts (MW) of electricity.

SaskPower also buys power from the SunBridge Wind Power Project, Meridian Cogeneration Station, Cory Cogeneration Station, and NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects. At the end of the year, our company's total available generation capacity was 3,982 MW.

We are responsible for more than 473,000 customers within Saskatchewan's geographic area of approximately 650,000 square kilometres. About three customers are supplied per circuit kilometre. We maintain more than 150,000 kilometres of power lines, 53 high voltage switching stations and 182 distribution substations. Our company also has interties at the Manitoba, Alberta and North Dakota borders.

A message
to our stakeholders

In Saskatchewan, the service our company delivers has a profound impact on the way people live and work. The availability, reliability and affordability of electricity have a direct effect on the quality of our way of life and the health of our economy. In fact, the competitiveness of SaskPower goes a long way in ensuring the regional, national and global competitiveness of Saskatchewan.

We have a long history of successfully embracing this responsibility. Our company's strength has always been the ability to adapt to the varying conditions in which we work, the changing expectations of our customers, and the shifting requirements of energy production and delivery.

Our intention is to improve upon our performance with an eye to becoming a world-class company based on best practices. That journey begins with maintaining a solid financial footing. It continues with an innovative, adaptive and skilled workforce; excellence in customer service; and a high level of efficiency.

Financial position

In 2010, SaskPower posted an operating income of $179 million, up $83 million from the previous year. This was largely due to system-wide rate adjustments and an increase in electricity sales volumes of 853 gigawatt hours over the previous year.

It's estimated $10 billion will be required in the next 10 years for the revitalization of our infrastructure and to meet new load growth. Acknowledging the need for this unprecedented investment in our company, our shareholder — the Crown Investments Corporation of Saskatchewan — did not require SaskPower to pay a dividend for the second year in a row.

This will provide us valuable financial flexibility, helping us to effectively manage debt. Even with this decision, however, SaskPower is under tremendous pressure to do all it can to maintain a strong balance sheet.

Our people

SaskPower employees are proud and dedicated. Day in and day out, they demonstrate they care about the jobs they do, the colleagues with whom they work, and the customers and communities they serve. In 2010, this was especially evident by the extraordinary efforts our men and women made to restore service and continue generating electricity in the ice and snow of southern Saskatchewan's severe January blizzard.

With increased retirements at all levels of our company, attracting and retaining skilled employees will be key in meeting today's challenges and seizing the opportunities ahead. We are completing a new Workforce Plan that will provide a valuable forward-looking needs assessment and succession strategy.

> "Our intention is to improve upon our performance with an eye to becoming a world-class company based on best practices."

We are making strides in building a corporate culture that will attract the best and brightest, as evidenced once again by being named one of Saskatchewan's top employers and one of Canada's best diversity employers. However, while our latest employee engagement survey results show a notable improvement, there is still much to be done to ensure we move our company forward together.

Our business

With such tremendous change occurring throughout our industry and SaskPower, it's important for our customers and stakeholders to become even closer partners in our work. Whether it be reducing their demand or producing their own electricity, the choices and actions of our customers — ranging from residential and farm to large industry — can have a major impact on our business. It's critical we give them the tools they need while also continuing to engage in open communication.

In 2010, we made our final presentation to the provincial government's Standing Committee on Crown and Central Agencies. While our new Electricity and Conservation Strategy — which outlines our short-, medium- and long-term supply plans — was endorsed, we are not standing still when it comes to the future. In fact, we are currently extending our planning window to 40 years.

In addition to expanding our energy conservation initiatives, we are continuing an exhaustive evaluation of future electrical supply options. This includes an assessment of service quality, affordability, environmental performance and social acceptance. We are also investigating potential hydroelectric development and partnerships with First Nations communities.

During the year, we were able to reinforce our system by adding the 138-megawatt gas-fired Yellowhead Power Station and completing construction of new lines and substations. We also continued development of the Boundary Dam Integrated Carbon Capture and Sequestration Demonstration Project, as well as studying other potential avenues for furthering the development of carbon capture technologies.

Our multi-year Service Delivery Renewal (SDR) Program is breathing new life into the way we deal with customers through a focus on people, processes and technology. As part of SDR, we are proceeding with the development of an Advanced Metering Infrastructure Project that will provide near real-time data on electrical consumption and operations through the installation and use of 500,000 smart meters. When complete, we'll be able to restore service quicker, improve power quality and collect usage data that can assist us in operating the smart grid of the future.

Our delivery

During this period of growing customer expectations and intensive re-investment in our company, we must be relentless in evaluating our expenditures and simplifying our business processes. Through our Business Renewal Program — formerly the Efficiency and Effectiveness Program — we're targeting to save or avoid spending $2 billion over the next decade.

We're benchmarking our performance against industry around the world and have conducted a review of our operating, maintenance and administration budgets; fuel procurement practices; and capital spending program. Our goal is to minimize the need for rate increases and keep electricity costs competitive with other Canadian thermal-based utilities.

Our future

In 2011, we will continue to take significant steps to position SaskPower to grow with Saskatchewan. We're a very different company than we were a few years ago, and in a few years we'll be a very different company than we are now — one that is even more innovative, responsive and customer-focused.

We would like to thank the women and men of SaskPower for their commitment as we work through this time of exceptional change, and applaud them for continuing to make safety a primary part of everything they do. We would like to extend our appreciation to our Board of Directors and former Acting President and CEO Garner Mitchell for their valuable service. And we would like to call upon our customers and stakeholders to continue to provide their invaluable feedback as we join together to create a dynamic future for Saskatchewan.

Joel Teal
Chair, Board of Directors

Robert Watson
President and CEO

Our company's strategy

At SaskPower, our corporate vision, mission, and values are the core of our company's strategic direction. Our planning, execution and performance measurement are built around seven strategic priorities.

Each strategic priority plays a prominent role in SaskPower's 10-year Strategic and Business Plan. The Strategic and Business Plan is revised annually with input from our employees, executive and Board of Directors, and is closely aligned with the direction of our shareholder, Crown Investments Corporation of Saskatchewan, and the Government of Saskatchewan.

Vision

People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Mission

Safe, reliable and sustainable power for our customers.

Values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

Strategic priorities

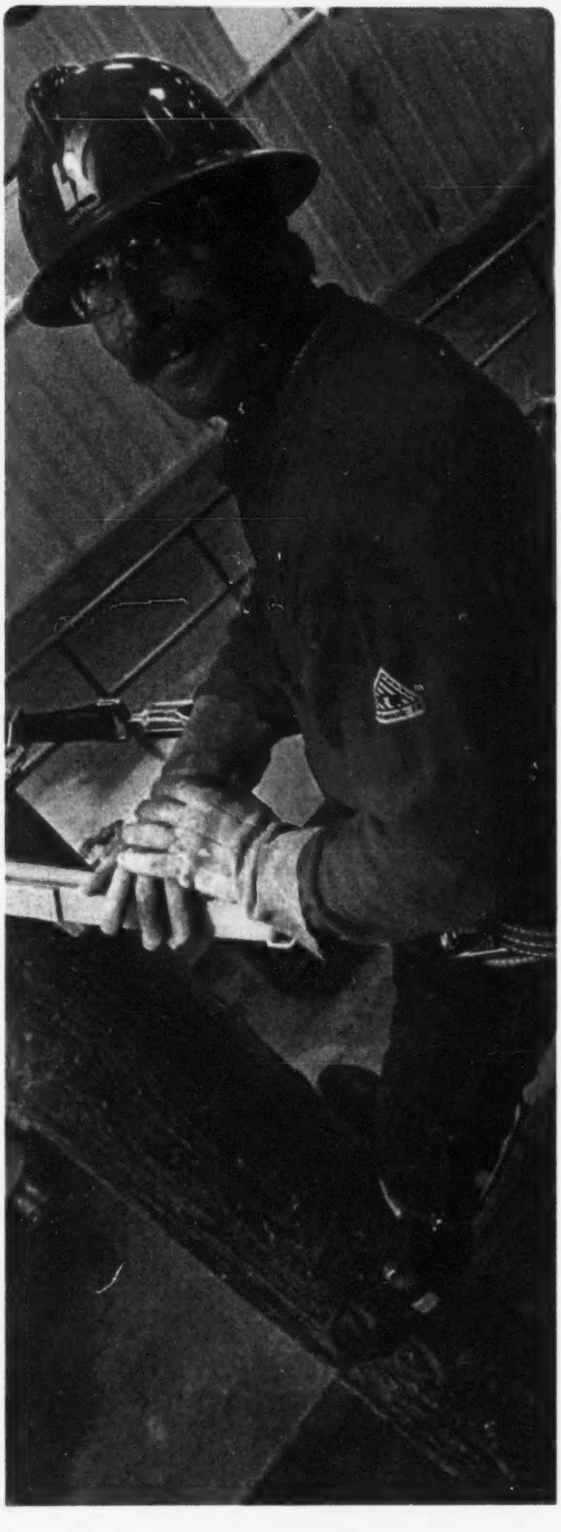
1. Proud and productive employees.
2. Loyal and satisfied customers.
3. Informed and engaged stakeholders.
4. Dependable and secure infrastructure.
5. Efficient and effective operations.
6. Strong environmental stewardship and performance.
7. Prudent financial management and growth.

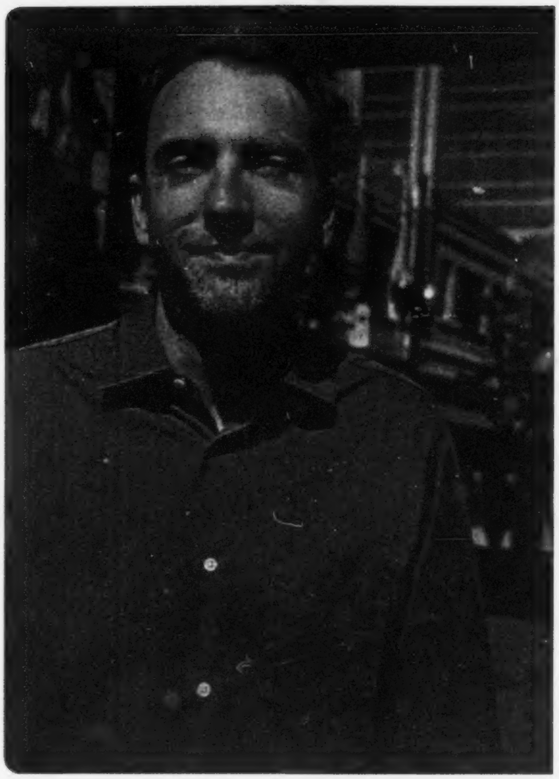
Our strategic priorities at work

In striving to advance our business, it's more important than ever to recognize that change is not a new phenomenon in our industry — it must be embraced as a constant.

In endeavouring to become a leading utility, during the year we continued to implement our company's strategic agenda by using each of our priorities to shape our planning and actions. And as the world around us continued to evolve, so did SaskPower.

Our Corporate Balanced Scorecard provides measures of our performance and future objectives. The results and targets associated with each of SaskPower's strategic priorities are contained within this section. The content of our Corporate Balanced Scorecard reflects our current priorities, but will be refined over time.





> "People shop around now. Twenty years ago, we were able to ask, 'Why should we hire you?' The world's changed to people saying, 'Why should I work at SaskPower?'"

Dave Gwilliam, Supervisor of Recruitment, Human Resources

Strategic priority 1
Proud and productive employees

The energy and expertise of our people drives our achievements. Our workforce will be the lynchpin in securing and building upon our strong history of service excellence in Saskatchewan.

Workforce planning, sourcing and career development

In the next decade, nowhere will change be more evident than within our workforce. It's estimated that over 30% of SaskPower employees will retire, with over half of senior leadership eligible to retire within the next five to seven years. As a result, succession planning and knowledge transfer will be critical, as will employee recruitment and retention.

In 2010, our company began development of a new five-year Workforce Plan which integrates with our existing sourcing strategies and will provide the types of skills and positions we need moving into the future. The competition for employees has perhaps never been greater in Saskatchewan. While electricians, industrial mechanics, power line technicians, engineers and electrical engineering technologists will be in high demand for our company as retirements increase, so too will the services of other professionals and specialists. Enhanced sourcing efforts, such as an increase in the use of social media and a redesigned careers site on saskpower.com, have led to an increase in high quality applications.

Internally, company-wide employee growth and development initiatives are designed to aid with retention. These include career planning and supervisory development workshops. In our Transmission and Distribution Business Unit, a new Workplace Learning and Performance Department has been established. In addition to managing the apprentice program for line trades, it is developing a workforce planning, skills development and knowledge transfer area as employees retire or move to new positions.

Employee engagement

During the year, SaskPower conducted a new employee engagement survey which generated a 74% response rate. Employees with a high level of engagement generally say positive things about their company, want to stay at their company, and strive to do their best work so their company succeeds. Results of the most recent survey show an improved level of engagement at SaskPower, with room for further growth in a number of areas.

In response to specific feedback, supervisory and communication skills-based training is continuing and being enhanced. Beginning in 2011, employee engagement surveys will be conducted each year to enhance performance tracking and provide up-to-date feedback for program development.

Diversity

For more than 20 years, SaskPower has been committed to the goal of becoming more reflective of the communities we serve. Through a corporate Diversity Strategy and a Diversity Committee, we work to be an employer of choice by creating a culture of inclusion. We host workshops on disability, as well as regularly advertise positions with community organizations. Of our total workforce, 39% of permanent employees belong to one of four equity groups — aboriginal employees; employees with disabilities; visible minorities; and women in under-represented positions.

In addition to SaskPower once again being named one of Saskatchewan's Top 20 Employers, SaskPower was recognized as one of Canada's Best Diversity Employers for the second consecutive year. The diversity award is part of the Canada's Top 100 Employers project. Our company was recognized for tracking the progress of diversity-related initiatives through regular reporting to senior management and for revising our company's training materials to include a diversity-in-the-workplace component for supervisors.

Safety and wellness

Protecting the safety, health and well-being of our employees, contractors and the public is one of our highest priorities. Efforts are led by our Corporate Safety Department, which provides a central body of expertise and resources. SaskPower maintains a Safety Management System in compliance with the OHSAS 18001 Standard. In addition, we have a comprehensive set of policies and standards, wide-ranging internal safety training, and public education safety initiatives.

During the year, our company implemented a SaskPower Contractor Safety Program, as well as developed and delivered a SaskPower Safety for Supervisors Training Program. A new SaskPower Health and Wellness Program was also launched, and a new SaskPower Drug and Alcohol Program was developed and approved, and will be implemented in 2011.

Darcy Tourangeau, Aboriginal Sourcing Consultant, targets post secondary institutions such as First Nations University of Canada as sources for future SaskPower employees.

SaskPower maintains a Safety Management System compliant with the OHSAS 18001 Standard to help ensure safe working conditions.

Employee engagement score (%)

	2009	2010	2011	2012	2013
Target	50.0	55.0	54.0	59.0	65.0
Actual	•	49.0			

This measure focuses on ensuring SaskPower has engaged employees and creates an environment conducive to the continous improvement of productivity. The intent is to measure engagement levels on a regular basis and to show steady improvement. Our company's 2010 engagement score was 49%, which is slightly below the targeted level. However, it was a 10 percentage point improvement over the 2007 engagement score of 39%. SaskPower is continuing to focus on activities and initiatives that are targeted to improving our company's engagement level.

• Denotes that actuals or targets were not available or reported for that time period.

Net increase in diversity employees (#)

	2009	2010	2011	2012	2013
Target	80	85	60	65	70
Actual	110	30			

SaskPower has established an objective of having a workforce that is representative of Saskatchewan's population. A diverse employee base is a key part of our company's strategy to attract and retain a productive workforce. Net increase in diversity employees is a measure of the number of employees hired during the year from one of the four designated target groups (Aboriginal people, visible minorities, persons with disabilities and women in non-traditional roles) offset by those diversity employees leaving the organization. During the year, 71 diversity employees were hired, offset by 41 diversity employees leaving the organization. The actual result was below target for the year due in part to the temporary company-wide hiring review that limited the number of external hires and reduced the opportunity to hire additional diversity candidates.

Safety Index

	2009	2010	2011	2012	2013
Target	3.0	2.5	2.3	2.0	1.5
Actual	1.7	1.8			

Safety is a critical element in all of SaskPower's operations. In recent years, our company's safety record has improved; however, there are opportunities for further advances. Continued improvement in safety processes and practices is essential for the well-being of our workforce and the wider community. The Safety Index is a measure that evaluates how well SaskPower is performing in relation to its safety targets. A lower score indicates better performance. In 2010, our company had a Safety Index of 1.8 which exceeded the target of 2.5.

> "I would like to see SaskPower as a leading innovator in our industry, not just in traditional areas such as generation or transmission and distribution. I also hope we'll be innovative in areas such as helping our customers become more energy savvy."

Judy May, Vice President, Customer Services

Strategic priority 2
Loyal and satisfied customers

Our company is committed to being a service-driven organization. We recognize the significant role we play in our customers' lives and are focused on providing quality service that is responsive and convenient.

Service Delivery Renewal (SDR) Program

While SaskPower is consistently ranked in the top quartile of customer satisfaction, we want and need our performance to get even better. In 2010, our company continued implementation of the centerpiece of our strategy to enhance customer service — SDR.

SDR is a multi-year initiative that will transform the way we provide service and address growing customer expectations. It will also tackle the need to update or improve many of the technologies our company uses to serve customers, such as our billing system. As a result, employees will have more information to do their jobs, and improved internal processes will result in higher productivity and employee satisfaction.

During the year, the decision was made for SaskPower to proceed with the development of an Advanced Metering Infrastructure (AMI) Project. AMI includes the replacement of our company's existing power meters with approximately 500,000 electronic meters. They will provide near real-time information on electrical consumption, as well as operational data. AMI also includes a two-way communications system network that retrieves and stores information collected by the meter.

With AMI in place, SaskPower will be able to more effectively track and pinpoint the location of power outages and respond more quickly to restore service. Meanwhile, as customers get more timely information about their power consumption through their electronic meters, they will be in a better position to make informed choices about energy efficiency.

Meters will be read daily and monthly bills will be based on actual usage. As well, SaskPower's carbon footprint will be reduced as fewer trips to customer locations will be required. Scheduled for completion in 2014, the AMI Project is expected to generate $463 million in savings over a 20-year period.

As part of the Field Worker Technology (FWT) Initiative, SaskPower has completed the deployment of 525 laptops in field vehicles. Equipped with mobile mapping, the laptops will accommodate new centralized dispatch and scheduling technology. They are also capable of incorporating outage management technology that will optimize resources for prioritizing work, minimizing travel, and shortening power outage durations.

In addition, SaskPower's current telephony system is undergoing a transformation, bringing together a variety of existing networks onto an internet backbone. This will help establish the critical infrastructure required for SDR initiatives such as AMI and FWT.

New connections

Improving our response to new service requests is a priority. During the year, as a component of SDR, our company completed the rollout of our new connects process to staff in all four Transmission and Distribution Business Unit service regions across the province. We also began a follow-up program to ensure process changes are maintained and measured over the long-run. Improvements are already being seen in lessening the time it takes to serve customers applying for new service.

When it comes to customer connections, 2010 proved to be an extreme challenge for our company. SaskPower received the second largest number of new service requests in the past decade at the same time as some areas of Saskatchewan received up to 200% of normal rainfall. As a result, our company had to develop an action plan to address requests for electrical service that were delayed due to wet conditions. In response, we postponed some maintenance and construction work, as well as redeployed crews from different areas of the province, to free up resources to help connect customers to the electrical system quicker.

SaskPower is forecasting continued strong demand for new connections as the province's economy and population grow. We are continuing a near-record pace of activity with our large industrial customers, known as Power accounts. During the year, we provided transmission interconnections to five new pipeline pumping stations and temporary power to the BHP Billiton Jansen Project. We are continuing studies and planning for additional oil and gas projects, as well as various mine expansions and greenfield mine projects.

High Load Move Project

Due to the growing level of economic activity in Saskatchewan, high load moves along roadways and railways have increased significantly over the last few years. As a result, there are a rising number of requests for electrical line lifts to facilitate the movement of manufactured goods and equipment.

In response, an East-West high-load corridor is being developed through the coordination of SaskPower and the Government of Saskatchewan. In order to accommodate a high-load corridor, SaskPower needs to modify 135 highway crossings. Approximately 80% of the crossings will be reconstructed underground. The estimated cost for SaskPower is $2.4 million.

Community

We understand that the strength of SaskPower is linked to the quality of life in the communities we serve. Our company enjoys a positive reputation for corporate citizenship that is the product of ongoing sponsorship and employee volunteerism. Investing in communities strengthens our relationship with customers, while also increasing employee engagement.

In 2010, we directed an annual budget of $1.5 million to over 60 registered charities and not-for-profit organizations throughout Saskatchewan. Funding reached a number of areas that include: culture, sports and recreation; diversity; environment; and education. Our Corporate Promotional Program provided donations for 345 events to assist organizations in their fundraising efforts.

SaskPower's environment-related sponsorships provide one-time or multi-year corporate contributions toward projects that relate to SaskPower's activities. Our ongoing partnerships with the Nature Conservancy of Canada, Ducks Unlimited and the Native Plant Society of Saskatchewan support various levels of research and education. Meanwhile, contributions to Saskatchewan's post-secondary institutions — University of Regina, University of Saskatchewan and Saskatchewan Institute of Applied Science and Technology — continue as the need for graduates in trades and technology remain in high demand. As well, our more than 20-year relationship with the Saskatchewan Science Centre assists in the presentation of a wide range of community educational experiences.

The replacement of existing meters with over 500,000 smart meters will help customers better track their power consumption.

Customer Satisfaction Index (10-point scale)

	2009	2010	2011	2012	2013
Target	7.8	8.0	8.2	8.2	8.4
Actual	7.8	7.6			

The Customer Satisfaction Index is derived from our annual customer satisfaction survey. SaskPower is targeting to increase the mean or average satisfaction rating for all customer classes. Programs such as Service Delivery Renewal and Demand Side Management are initiatives that have been established with the objective of improving customer satisfaction. In 2010, SaskPower was slightly below its customer satisfaction target of 8.0. Reliability — affected by the unusual number of severe weather events that caused delays or outages — was cited as a factor for the lower satisfaction ratings.

Reliability System Average Interruption Duration Index (SAIDI)

	2009	2010	2011	2012	2013
Target	3.4	4.1	4.1	4.0	3.9
Actual	4.5	5.9			

This is a measure of the average service interruption length in hours from a customer's point of view. It is used to track SaskPower's performance in responding to outages. The target reflects a normal year for SaskPower. To achieve its target, our company focuses on a number of initiatives, including the Rural Electrical Distribution Program, Wood Pole Replacement Program and Vegetation Management Program. These initiatives are designed to reduce outages that are considered controllable. The SAIDI measured 5.9 in 2010, which was a greater length of interruptions than the target. This was due largely to the unusual number of severe weather events during the year, which resulted in a higher than expected number of unplanned outages. SaskPower continues to focus on a number of initiatives in an effort to meet the targeted level of service.

Reliability System Average Interruption Frequency Index (SAIFI)

	2009	2010	2011	2012	2013
Target	1.6	1.8	1.8	1.7	1.7
Actual	1.9	2.5			

This is a measure of the average service interruption frequency from a customer's point of view. It is used to track the overall performance of SaskPower's distribution system. The target reflects a normal year for SaskPower. The SAIFI measured a greater number of interruptions than the 2010 target due to the unusual number of lightning and heavy rainstorms that contributed to an increased number of unplanned outages. As noted above, SaskPower continues to focus on a number of initiatives in an effort to meet the targeted level of service.

"We want to build and restore relationships. It's a marathon, not a sprint. And it's a role that's being defined as we go."

Wayne Rude, Manager, Aboriginal Relations

Strategic priority 3

Informed and engaged stakeholders

In an increasingly complex operating environment, we are challenged to connect with all of those who do business with and depend upon our company. We do our best to foster open and transparent communication with the objective of creating mutually beneficial relationships and a high level of accountability.

Dialogue with stakeholders

Saskatchewan's energy future is top-of-mind for many people. SaskPower is facing the need to revitalize a large portion of our aging infrastructure while meeting growing electricity demand. Our company expects to rebuild, replace or acquire approximately 3,755 megawatts (MW) by 2033, while also continuing to expand and reinforce our transmission and distribution system.

In 2010, we participated in the provincial government's Standing Committee on Crown and Central Agencies inquiry into Saskatchewan's energy needs. Our company took advantage of the opportunity to share SaskPower's new Electricity and Conservation Strategy while also hearing a diverse range of perspectives from stakeholders.

The Committee endorsed SaskPower's approach in its final report. Our short-term plan includes:

- Furthering the integration of renewables, including wind and biomass, through Independent Power Producers (IPPs).
- Expanding energy efficiency, conservation and load management programs.
- Installing natural gas turbines to meet immediate needs and support the addition of wind capacity.
- Pursuing new generation technologies, including carbon capture and storage.
- Undertaking short-term import contracts with neighbouring utilities.
- Upgrading voltages and building new lines to reduce losses on the transmission system.

Our planning activities are ongoing, with a 40-year integrated supply plan now in development. It will include a comprehensive evaluation of generation options, while taking into account DSM programs and the generation equivalent they can provide.

During the year, SaskPower also took a step in enhancing communications and engagement with our stakeholders about our company's performance. Our Environment Report — published annually since 1993 — was replaced with publication of the first SaskPower Sustainability Report. In addition to providing information and measures relating to environmental challenges and successes, economic and social performance is also discussed.

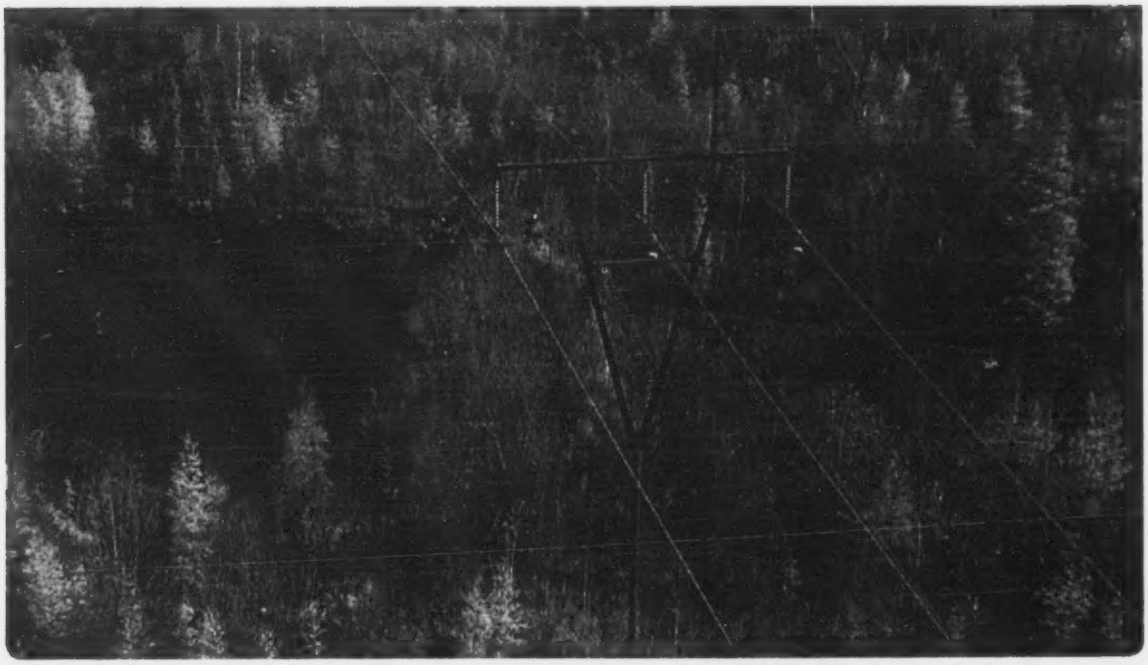
First Nations relations

Our company is working to promote clear and open communication in response to social, economic and environmental issues that are of concern to First Nations communities. We are also seeking to develop mutually beneficial business relationships with Aboriginal communities by supporting economic development activities.

SaskPower has entered into a Memorandum of Understanding (MOU) with Elizabeth Falls Hydro Limited Partnership, a corporate entity owned by Black Lake First Nation. The intent is to investigate the feasibility of a hydroelectric power project at Elizabeth Falls on the Fond du Lac River. As part of the MOU, SaskPower is overseeing environmental and engineering feasibility studies.

Meanwhile, SaskPower has entered into a Feasibility Study Agreement (FSA) with James Smith Cree Nation; Chakastaypasin First Nation; Peter Chapman First Nation; and their partner Brookfield Renewable Power. It allows for a study of the feasibility of the 250-MW Pehonan Hydroelectric Power Project, which would be located near the confluence of the North and South Saskatchewan Rivers.

With the Aboriginal population one of the fastest growing segments in our province, it represents an important source of future employees for our company. In response, SaskPower is providing employment, contracting, and other opportunities for Aboriginal people, businesses and communities.



As natural resource development continues to expand in Saskatchewan's North, demand for power in the region is increasing.

Project consultations

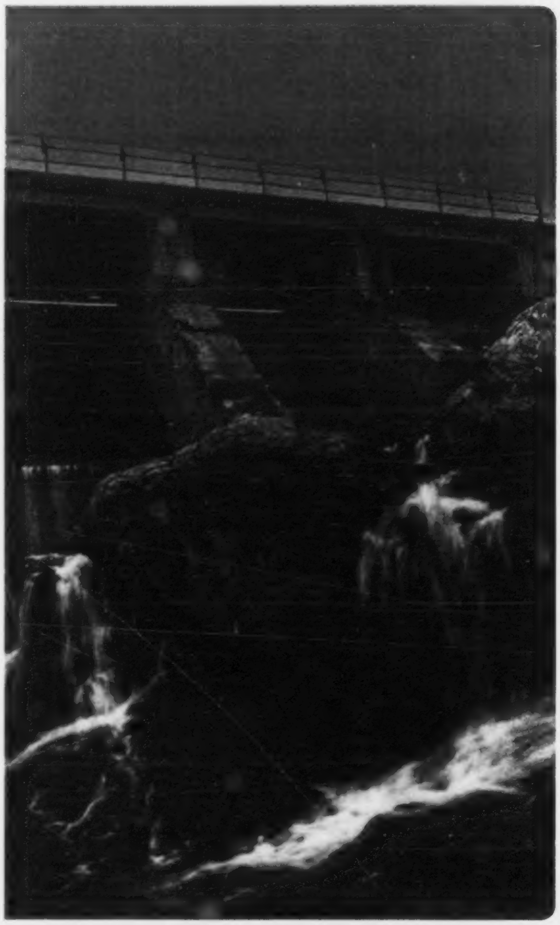
As SaskPower's load requirement grows and environmental pressures increase, it will be crucial to have trust-based relationships with all key stakeholders — customers, communities, businesses, regulators and governments. When we are beginning work on a new facility or improving an existing one, public consultation is central to our efforts.

It typically includes early contact with local officials; distribution of detailed project information; open house sessions; meetings with individuals and interest groups; media relations; advertisements; and direct correspondence and discussion. Results of public consultations are frequently included in project application and approval processes that are filed with regulators. SaskPower also tracks external inquiries in our Environmental Management System (EMS).

Outside of our formal public consultation process, SaskPower maintains ongoing dialogue with a wide variety of key stakeholders, including:

- Our shareholder, the Crown Investments Corporation/Government of Saskatchewan.
- Customers.
- Employees.
- Regulatory and financial agencies.
- Strategic partners.
- Business and business associations.
- Suppliers.
- First Nations communities.
- Community organizations.
- Environmental organizations.

In 2010, project-related consultations included a proposed 230-kilovolt (kV) transmission line to service Shore Gold's diamond mine project within the Fort à la Corne Provincial Forest; a proposed 230-kV transmission line to supply a new TransCanada Corporation pumping station east of Liebenthal; and a temporary 138-kV transmission line to supply construction power to the new BHP Billiton potash mine site north of Jansen.



Private developers that include First Nations communities could play a role in the development of future hydroelectric power stations in Saskatchewan.

Corporate Reputation Index (10-point scale) — new

	2009	2010	2011	2012	2013
Target	•	•	7.5	7.7	7.8
Actual	•	•			

The Corporate Reputation Index is derived from our annual customer satisfaction survey. This is a new measure evaluating SaskPower's reputation as viewed by our stakeholders. The target for 2011 has been set at 7.5.

• *Denotes that actuals or targets were not available or reported for that time period.*

Strategic priority 4
Dependable and secure infrastructure

We are dedicated to creating and maintaining a sustainable energy supply — one that balances economic, environmental and social requirements. We must demonstrate to our customers and potential customers that SaskPower has the capacity to serve now and well into the future.

Power generation

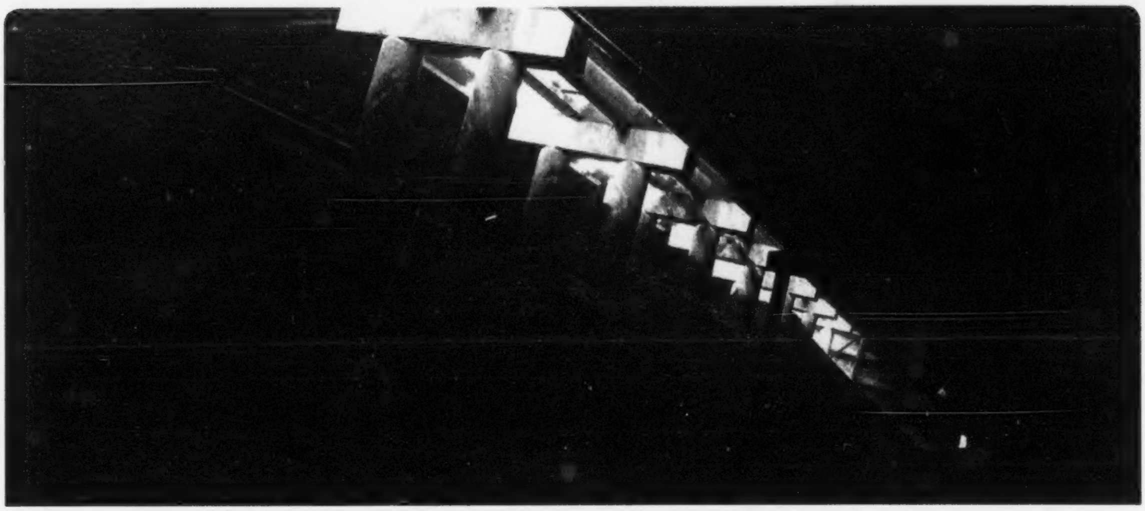
Within Saskatchewan, SaskPower's generation fleet provides 88% of electricity capacity while IPPs and imports provide the remainder of supply. In the next 20 years, the need to retire or extend the life of many of our generating units requires significant attention and investment. During the year, our three lignite coal-fired power stations reached the milestone of 300 million tonnes of coal received, while Boundary Dam Power Station celebrated its 50th year of service.

Our company is taking a major step forward in the modernization of our fleet with the decision to rebuild Boundary Dam Power Station Unit #3, which was scheduled to shut down in 2013 after 45 years of service. SaskPower will invest $354 million to extend its life 30 years. Our company is waiting for new federal emissions control regulations to be announced before deciding if Unit #3 will become part of the Boundary Dam Integrated Carbon Capture and Storage (ICCS) Demonstration Project.

Work on the major components of Unit #3 has begun, with rebuild construction scheduled to start in 2012. It will be fitted with a state-of-the-art Hitachi turbine custom designed for carbon capture systems. Operations are expected to commence in the fall of 2013. Meanwhile, a turbine upgrade has been completed on Boundary Dam Power Station Unit #6 that will increase the efficiency of the 300-MW unit. The generator rotor and transformer were also replaced, with a total actual project cost of $20 million.

> "There's always something new to learn. We're involved with technologies, and they're always evolving. You try to stay up with what's happening, and there's a lot developing in the industry. That's part of our challenge."

Tim Zulkoski, Supervisor of Generation Planning, Planning, Environment and Regulatory Affairs



SaskPower's three coal-fired power stations have collectively received more than 300 million tonnes of coal since their operation began.

Our company is also investing $140 million until 2015 to upgrade SaskPower hydro generating units to increase efficiency and capacity. Site work has begun on a turbine upgrade and control system replacement on E. B. Campbell Hydroelectric Station Unit #7, with the same work scheduled to follow on Unit #8. Meanwhile a generator rewind has begun on Coteau Creek Hydroelectric Station Unit #3. Major work at Island Falls Hydroelectric Station is scheduled for Units #4, #5 and #6 turbines, generators and controls. Engineering and procurement of equipment are in progress.

New capacity

During the year, SaskPower increased available supply with the addition of the Yellowhead Power Station in North Battleford. The 138-MW natural gas-fired generating station came into service in December 2010, raising SaskPower's total available generating capacity to 3,982 MW.

The $187-million facility is equipped with three General Electric LM6000 simple cycle gas turbines and will be operated through fibre optic based remote control technology from Regina. As a peaking power station, Yellowhead will be brought into service when there is high demand for electricity in Saskatchewan.

During the last two years alone, SaskPower has added more than 300 megawatts of natural gas-fired generation and we are in the process of doubling wind power production. SaskPower expects to add approximately 350 MW of gas-fired capacity by 2013 to strengthen the grid for the addition of more wind generation and to meet the growing demand for electricity.

Over half of the new capacity will come from the North Battleford Energy Centre, scheduled to begin operation in 2013. Northland Power, a leading IPP, has been chosen to build and operate the combined-cycle, baseload facility under the terms of a 20-year power purchase agreement. Northland has also been selected to construct an 86-MW natural gas-fired peaking power station near the Tantallon Switching Station, north of Moosomin. That facility is expected to begin operation in 2011.

Through our Green Options (GO) Plan, SaskPower is undertaking a competitive solicitation to procure up to 175 MW of wind power from one or two large-scale wind facilities. In 2010, we issued a call for participants and evaluated all submissions in the pre-qualifying phase. Interested developers were asked to demonstrate their technical and operational experience, financial capabilities and propose a site. Twenty-one companies have qualified to participate in the next phase, with selected projects expected to begin service between 2013 and 2015.

Our company will also be adding smaller amounts of generation through the GO Partners Program. Six projects from five power producers were selected, which will result in more than 33 MW of environmentally friendly power being added to the grid. Wind, small hydro, heat recovery and flare gas will produce the electricity.

Meanwhile, construction has begun on the 27-MW Red Lily Wind Project, which is being constructed northwest of Moosomin. The project is being spearheaded by the Red Lily Wind Energy Partnership, comprised of Algonquin Power and the Concord Pacific Group. The project was initially selected in 2006 under a solicitation to partner with IPPs to build and operate small-scale generation projects that produce no new greenhouse gases (GHGs).

Saskatchewan currently has 172 MW of wind generating capacity — among the highest percentages of installed wind capacity in the country. When new wind power is brought into service through the Red Lily Wind Project, the GO Plan and the GO Partners Program, wind power will make up about 8.5% of SaskPower's total generating capacity. The expansion of wind power will reduce our company's carbon dioxide (CO_2) emissions by approximately 225,000 tonnes per year.

Transmission and distribution

In 2010, our company completed the design and construction of the 160-km Poplar River to Pasqua 230-kV Transmission Line. Required additions and upgrades associated with the project were also completed at the two terminating switching stations at Poplar River Power Station and the Pasqua Switching Station located east of Moose Jaw.

This new line will help deliver the additional power resulting from the recent refurbishment of the generators at Poplar River Power Station. It reinforces the high voltage transmission system in the south-central area of the province, as well as improves the overall power system reliability for Saskatchewan. The line also lowers our operating costs by reducing power losses.

During the year, we also completed construction of switching station and transmission facilities to accommodate the delivery of energy from the new Yellowhead Power Station. In addition, we are working on the design or construction of a number of new transmission lines to supply industrial customers: TransCanada Corporation facilities at Whitewood, Chaplin, Stewart Valley, Belle Plaine and Liebenthal; Enbridge facilities at Benson; Agrium facilities near Vanscoy; BHP Billiton facilities near Jansen; Mosaic facilities at Belle Plaine; Consumers' Co-operative Refinery at Regina; and Enbridge facilities at Steelman.

SaskPower is also preparing for increased demand from oilfield activity in the area northeast of Estevan and southeast of Lampman by increasing the capacity at the existing Steelman Substation and constructing a new transmission line from the existing Boundary Dam Switching Station to the Steelman Substation. Meanwhile, we have completed construction of a new $7 million substation to support growing demand for electricity in the Weyburn area.

Net new capacity additions (MW)

	2009	2010	2011	2012	2013
Target	169	138	113	0	261
Actual	199	138			

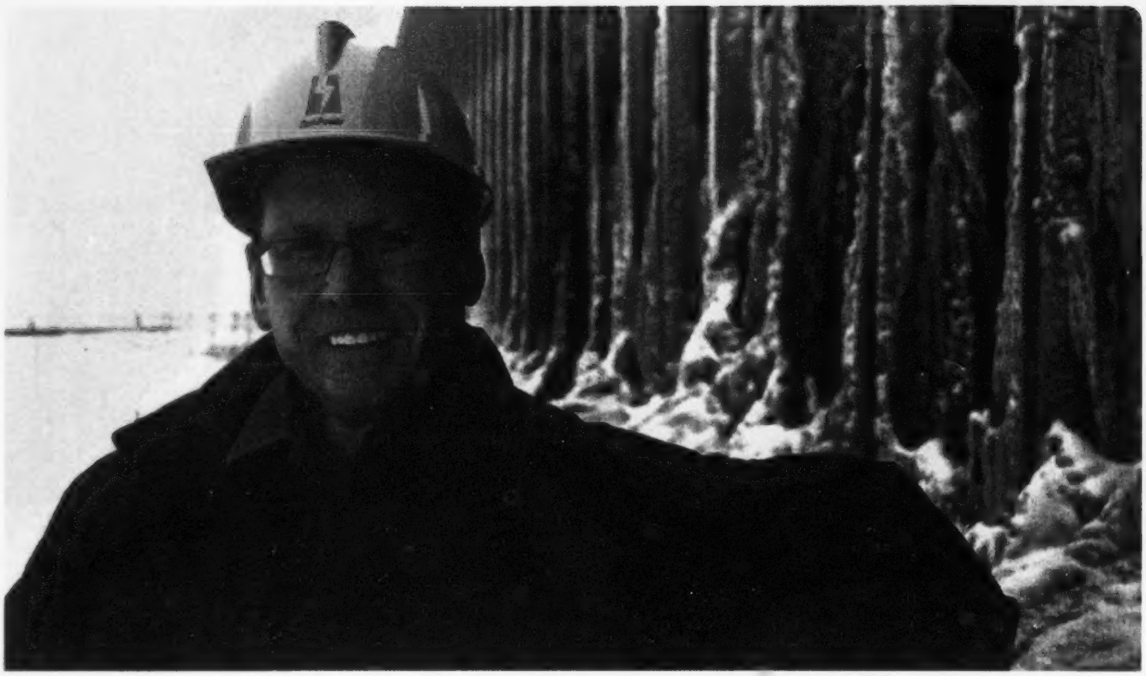
This is a measure of the increase in the net amount of generation capacity. SaskPower has an ongoing need to replace existing generating infrastructure and increase its capacity — through the building of new plants or through power purchase agreements — to accommodate new growth. In 2010, our company added 138 MW of net capacity related to the installation of simple cycle natural gas turbines at Yellowhead Power Station.

Renewing Infrastructure Index (%)

	2009	2010	2011	2012	2013
Target	87.6	88.0	86.2	87.6	88.6
Actual	85.9	86.0			

This is a measure of the equipment availability of our generation and transmission assets. It demonstrates the effectiveness of SaskPower's overall asset maintenance strategy. The 2010 result of 86.0% was slightly below target primarily due to higher than anticipated equipment-related outages.

In 2010, SaskPower completed the design and construction of a 230-kilovolt transmission line from Poplar River Power Station to Pasqua Switching Station near Moose Jaw.



"We strive to maximize the efficiency of fuel expenditures through effective pricing strategies, proficient risk management practices and ensuring a secure supply of quality fuel."

Tim Schuster, Fuel Supply Manager, Power Production

Strategic priority 5
Efficient and effective operations

Despite our position as a Crown corporation, we recognize that we operate in a competitive industry. The more cost-effective and streamlined our operations, the more capable we become of keeping rates as low as possible to support Saskatchewan's growth and attract new business.

Business Renewal Program

Our company is reviewing all operations to increase efficiency and effectiveness so that costs can be eliminated, controlled or avoided. We are evaluating all expense areas, including those associated with operating, maintenance, and administration (OM&A); fuel and purchased power; and capital spending.

Our Business Renewal Program — formerly the Efficiency and Effectiveness Program — has a cumulative savings target of $2 billion over a 10-year period. Using existing resources, SaskPower has established a Business Renewal Office. It is focusing on the planning, implementation, monitoring and reporting of efficiency improvements.

We have received initial reports from external consultants that reviewed a variety of expense areas and identified potential areas for savings. A second evaluation phase is underway, designed to examine

SaskPower's organizational structure, as well more closely investigate and benchmark operations.

Rates

Given the cost pressures associated with the unprecedented scale of capital expenditures, it will be more important than ever to maximize the efficiency of expenditures. And in order to maintain financial strength and capacity, there will be an ongoing need for rate adjustments.

Our objective is to propose regular, moderate increases. SaskPower measures the position of its rate structure against thermal utility peers. The objective is to keep rates at a level no more than 10% above the national thermal utility average. This target is seen to be appropriate given SaskPower's large operating area, relatively small population base and ongoing requirement to deal with growth and infrastructure investments.

So far, results have been positive, with average rates at approximately 20% below those charged by industry peers. This performance may erode as new investment comes online. However, there is adequate room to maintain competitive rates with others in the power generation, transmission and distribution industry across North America, as they are also facing similar upward cost pressures due to growth and infrastructure renewal.

OM&A improvements

OM&A costs include those expenses associated with maintenance, wages and benefits. As a percentage of revenue, total OM&A expense illustrates SaskPower's operational efficiency. The lower the ratio, the more efficient our operations.

SaskPower has set a long-term target to reduce OM&A costs to 20% of total revenue through steady annual improvements. This is expected to be achieved through savings from initiatives such as SDR and a 2% per year productivity gain being delivered through the Business Renewal Program.

Capital spending

As we continue a period of significant capital activity, our company will endeavour to maintain a reasonable profit from operations in order to help pay for expenditures. However, SaskPower will inevitably have to also increase its debt in order to keep rates in check.

Our per cent debt ratio illustrates the proportion of debt used to finance SaskPower's assets. A high number indicates that a high percentage of debt has been used, rather than equity, to finance capital. A high per cent debt number is also indicative of higher risk, as debt normally includes a requirement for regular interest payments and fixed dates for repayment of the principal.

SaskPower has maintained a long-term per cent debt target of 60% for the last several years, which is a strong position for a utility. However, in the medium-term, capital expenditures will lead to a per cent debt ratio that approaches 75%. In the long term, SaskPower will work towards returning the per cent debt to the 60% range.

In order to reduce financing costs, the SaskPower Board of Directors has approved the use of floating rate debt to a maximum of 15% of total outstanding debt. Floating rates are generally lower than long-term fixed rates but are subject to greater volatility. Most utilities use some degree of floating rates in their debt mix to lower the cost of funds at an acceptable risk level.

Fuel and purchased power

As a singular expense, fuel and purchased power represents one of SaskPower's most significant variable operating costs. The expense includes three components: fuel associated with the electricity generated at SaskPower-owned facilities; energy purchased through power purchase agreements; and electricity imported from markets outside Saskatchewan.

Our fuel cost management strategy focuses on using generating units that are the most cost effective to operate. At SaskPower, this means maximizing the planned use of hydro and coal generation and using wind when conditions are favourable. Where possible, surplus electricity is sold to markets outside Saskatchewan. As part of the Business Renewal Program, we are continuing to assess further ways of reducing our fuel and purchased power expense.

Employee Productivity Indicator (GWh/employee)

	2009	2010	2011	2012	2013
Target	7.8	7.9	7.5	7.8	8.3
Actual	7.5	7.6			

The employee productivity indicator is defined as the total volume of SaskPower generation relative to the total number of full-time permanent employees. Total SaskPower generation includes electricity obtained from imports and through power purchase agreements. The 2010 result for the productivity indicator is 7.6, just slightly under the target of 7.9. However, the 2010 result is an improvement over 2009 as a result of increased generation to service a higher demand in Saskatchewan.

Rates – thermal utilities (%)

	2009	2010	2011	2012	2013
Target	≤110.0	≤110.0	≤110.0	≤110.0	≤110.0
Actual	79.8	82.5			

The objective of this indicator is to ensure that SaskPower's system average rates are less than or equal to 110% of the system average rates for customers served by utilities dependent on thermal generation. SaskPower's 2010 result of 82.5% was better than the target and demonstrates that SaskPower remains competitive with our thermal industry peers.

Operating, maintenance and administration (OM&A)/revenue (%)

	2009	2010	2011	2012	2013
Target	•	31.7	31.2	30.3	27.3
Actual	32.3	31.8			

The OM&A as a percentage of revenue illustrates SaskPower's operational efficiency. The lower the ratio, the more efficient SaskPower's operations. The OM&A figure used in the calculation excludes spending on the integrated carbon capture and sequestration (ICCS) demonstration project and Demand Side Management costs. Grant funding for the ICCS project is also excluded from revenue. In 2010, the OM&A as a percentage of revenue was 31.8%, which is just slightly above target for the year. Our company's long-term target is 20%.

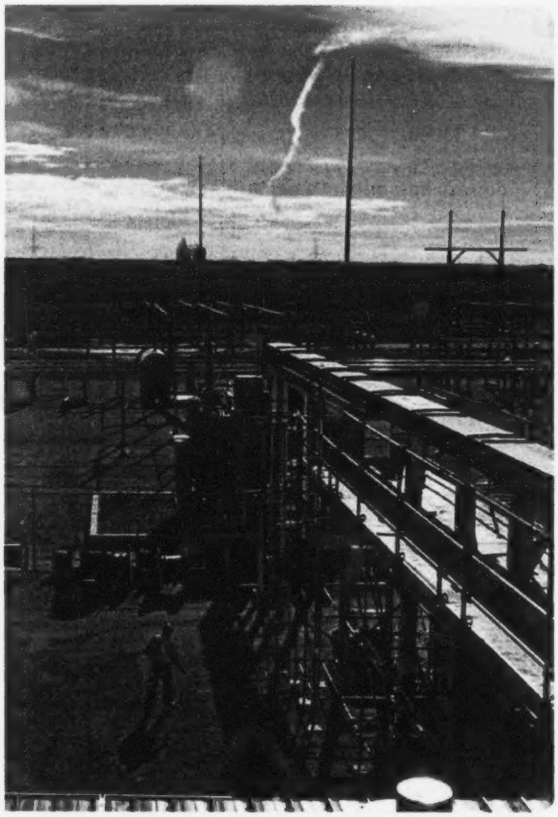
- *Denotes that actuals or targets were not available or reported for that time period.*

Revenue/total assets (%)

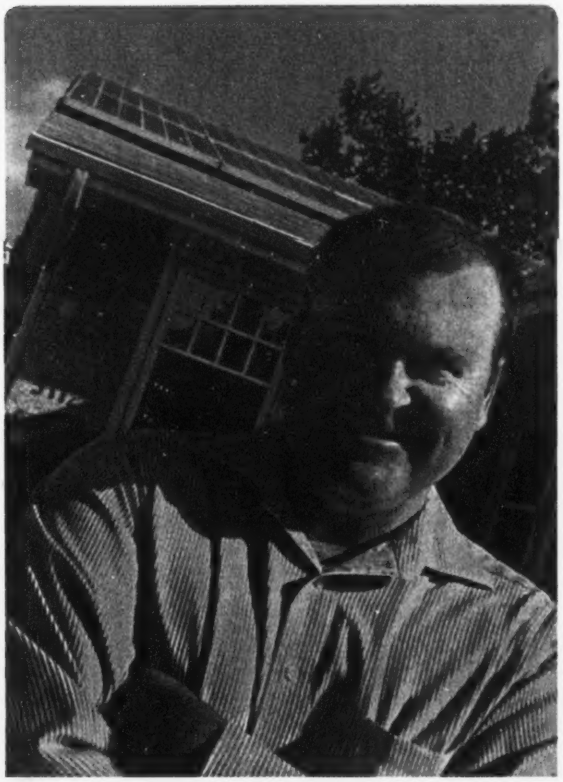
	2009	2010	2011	2012	2013
Target	•	30.9	26.5	25.7	21.6
Actual	30.7	31.1			

The revenue to total assets ratio is an asset productivity ratio describing the relationship between sales and the assets needed to generate the sales. Capital efficient operations have a higher ratio for this measure, as relatively fewer assets are required to maintain operations. The ratio reflects whether or not we have utilized our assets efficiently on a year-to-year basis. SaskPower's targets recognize a decline in the ratio as our company expands its capital infrastructure. In 2010, the revenue to total asset ratio was 31.1%, above target for the year.

- *Denotes that actuals or targets were not available or reported for that time period.*



SaskPower is expected to invest $10 billion in the next 10 years to revitalize infrastructure and meet new load growth.



“For me, it’s really (about) understanding, from a utility’s perspective, how you can integrate green energy into your grid and into your generational mix. It’s not as easy as people think.”

Ian Loughran, Leader of Renewable Energy Programs, SaskPower Eneraction

Strategic priority 6
Strong environmental stewardship and performance

Whether in our day-to-day work or future planning, we must balance our need to supply electricity with minimizing impacts on the environment. In meeting the challenge, we are promoting responsible energy use while pursuing cleaner sources of energy.

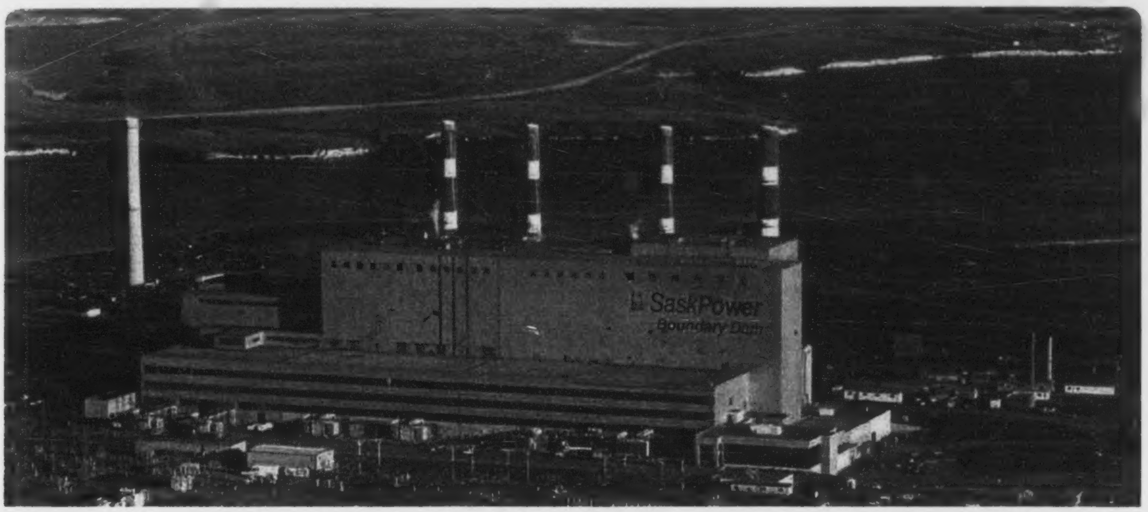
Approaching challenges

When it comes to the environment, our company promotes the ideal of continuous improvement. SaskPower maintains an Environmental Management System (EMS) that helps us identify, monitor and manage the impact of our business on air, land and water. In 2010, we marked the 10-year anniversary of SaskPower becoming the first utility in Canada to achieve ISO 14001 registration of an EMS for an entire company.

At present, one of our greatest challenges is responding to new and anticipated environmental regulations. Over 70% of SaskPower’s generation capacity is fossil-fuel based, using coal and natural gas. GHGs — primarily carbon dioxide (CO_2) from coal-fired plants — are a primary target of environmental regulation. We also need to achieve significant reductions in sulphur dioxide (SO_2), nitrogen oxides (NO_x), mercury and particulates.

Recently, we’ve opted for low- or non-emitting forms of generation when adding capacity or committing to new additions to our system. This includes electricity generated from natural gas and wind, as well as a host of renewable sources from IPPs through our GO Plan and GO Partners Program.

Over the long-term, the development and integration of new generation and control technologies will be critical to ensuring the strength of our grid and health of our company. Historically, SaskPower has relied heavily on coal to generate electricity. Saskatchewan has an



A decision on whether to proceed with the construction of an integrated carbon capture and storage system on Boundary Dam Power Station Unit #3 is expected to be made in 2011.

estimated 300-year supply of coal, and it is a secure and affordable fuel source. However, the future viability of coal will depend on our ability to control emissions and comply with legislation and regulations.

Research and development

SaskPower is monitoring emerging CO_2 and critical air contaminant emissions regulations, the Canadian carbon credit system, and domestic technology funds while developing strategies to meet future emissions regulations. Our award-winning Emissions Control Research Facility (ECRF) has developed an innovative solution to help SaskPower meet federal Canada-Wide Standard requirements for mercury emissions. Our company's ECRF team is also exploring methods to reduce SO_2, NO_x and particulate matter.

However, when it comes to the continued use of coal, the future very much depends on controlling CO_2. During 2010, we continued the modernization of our power generation fleet with the decision to rebuild Unit #3 at coal-fired Boundary Dam Power Station.

SaskPower has deferred a final decision on construction of an integrated carbon capture and storage system on Unit #3 until the new federal thermal coal power generation emissions control regulations are completed. Should the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project proceed, the initiative would complete the transformation of an aging unit into a reliable, long-term producer of 110 MW of clean baseload electricity. It would also enhance provincial oil production and reduce GHGs.

During 2010, SaskPower completed a competitive process that resulted in SNC Lavalin-Cansolv being chosen to provide the CO_2 capture system. The overall project is supported by $240 million in federal government funding to assist in the development of carbon capture technology in Saskatchewan.

SaskPower has also developed technical and business concepts for an innovative carbon capture demonstration facility to be installed and operated at our coal-fired Shand Power Station. The project would provide a common testing platform to help assess promising technologies while capturing and sequestering approximately 200,000 tonnes of CO_2 each year.

Land and water management

SaskPower has a state-of the-art Geographic Information System-based Environmental Screening System (ESS) that allows for pre-screening of generation, transmission and distribution projects for potential environmental issues and legal requirements. With a heightened number of customer connections and increased generation planning at our company, our ESS continues to play an important part in environmental management. In 2010, more than 600 projects were screened and over 50 heritage assessments completed.

Inter-agency collaboration is also essential to our success in meeting environmental challenges. During the year, we continued work on completing an Action Plan established through a Protocol Agreement with SaskPower; Fisheries and Oceans Canada;

Saskatchewan Ministry of Environment; and the Saskatchewan Watershed Authority. The agreement — which deals with potential fish and fish habitat issues — is now being modeled by utilities in New Brunswick, Nova Scotia, Ontario and Manitoba.

SaskPower Eneraction

SaskPower Eneraction is our portfolio of energy efficiency programs, products and services. It produces energy and capacity reduction for the electrical system through Demand Side Management (DSM). At our company, DSM is seen as a legitimate source of electricity that provides a reliable, cost-effective alternative to new generation. It's expected SaskPower Eneraction programs will help SaskPower reduce the province's electricity demand by 100 MW by 2017.

Our company's Energy Performance Contracting (EPC) Program is a primary element of SaskPower Eneraction. As an energy management service, it's designed to help commercial and institutional customers reduce energy-related operating costs through upgrades to lighting, heating, cooling and ventilation systems. The energy and cost savings are guaranteed by SaskPower. EPC also delivers significant environmental benefits and plays an important role in our efforts to curb GHG emissions.

During 2010, SaskPower and Honeywell signed a five-year contract to continue their alliance to deliver EPC. Over the past 10 years, EPC projects have upgraded more than 200 facilities in Saskatchewan, including schools, commercial and government buildings, health facilities, and SaskPower's own facilities in Regina. To date, the projects underway realize combined annual customer utility savings of more than $5.2 million and save over 3,200 megawatt hours (MWh) of electricity each year.

During the year, St. Joseph's Hospital in Estevan signed an EPC contract for energy efficiency upgrades valued at approximately $500,000. Ventilation and lighting enhancements will save nearly $50,000 each year in energy costs and help reduce GHG emissions.

Meanwhile, in east-central Saskatchewan, the Sunrise Health Region is spending an additional $6.1 million during Phase II of an agreement with SaskPower Eneraction to provide energy efficient upgrades to 22 health care facilities. The facility upgrades will occur in Melville, Ituna, Esterhazy, Langenburg, Saltcoats, Foam Lake, Theodore, Invermay, Canora, Kamsack, Preeceville, Norquay and Yorkton, saving $600,000 each year on energy costs.

EPC is just one part of SaskPower Eneraction. From net metering to residential and commercial lighting programs, there are more than 15 active DSM-related initiatives. In 2010, SaskPower introduced a pilot program that offered financial incentives for retiring and recycling old fridges, with the goal of saving about 1,000 MWh of electricity.

We also launched a demonstration project to explore the economic and environmental benefits of self-generated power projects at municipal ice rinks. Wind turbines will be installed at four community rinks, with monitoring for three to five years.

SaskPower Shand Greenhouse

Since 1991, SaskPower Shand Greenhouse has been using waste heat from the adjacent Shand Power Station to produce and distribute seedlings for community planting programs, land reclamation, shelterbelts and wildlife habitat. In 2010, the facility distributed nearly 600,000 seedlings — the total now stands at 6.8 million since opening.

During the year, the greenhouse also offered its Energy and Our Environment educational presentations, reaching 858 students. It also continued the Energy and Our Environment Poster Contest, which invites Grade 5 and 6 students from across the province to create posters with an environmental theme that demonstrate how we all can incorporate responsible environmental choices into our daily lives, and take action in response to climate change. The greenhouse received 492 submissions from students at 39 Saskatchewan schools. A winning poster was selected from each of the 39 schools that participated in the contest, before four grand prize winners were chosen.

Meanwhile, the Energy & Our Environment EcoClips Video Challenge invited Grades 10, 11 and 12 students from across the province to create videos demonstrating how they think about our environment, economics and ecology. SaskPower Shand Greenhouse received 41 submissions from students at nine Saskatchewan schools.

Customer satisfaction with SaskPower's environmental performance (10-point scale)

	2009	2010	2011	2012	2013
Target	7.5	7.8	8.0	8.0	8.0
Actual	7.5	7.2			

As part of the customer satisfication survey conducted each year, SaskPower measures how satisfied respondents are with our company's environmental performance. SaskPower's score for 2010 was 7.2, slightly below target. Survey data indicated results are down due to a combination of customers not being aware of SaskPower's environmental initiatives and a belief that our company is not doing enough. SaskPower continues to focus on informing customers about our environmental challenges and initiatives.

Fossil fuel CO_2 emission intensity (tonnes CO_2e/MWh)

	2009	2010	2011	2012	2013
Target	•	0.88	0.85	0.83	0.79
Actual	•	0.90			

This is a measure of the amount of carbon dioxide equivalent (CO_2e) emissions from all SaskPower-owned coal- and gas-fired generation and CO_2e emissions from Independent Power Producers. The purpose of this metric is to demonstrate a long-term plan to shift the fleet over to more efficient and lower carbon emitting generation. The fossil fuel emission intensity of 0.9 is slightly higher than target due to more coal used than expected to generate electricity in 2010.

• *Denotes that actuals or targets were not available or reported for that time period.*

Demand Side Management (DSM) — accumulated peak savings (MW)

	2009	2010	2011	2012	2013
Target	24	38	38	47	57
Actual	23	29			

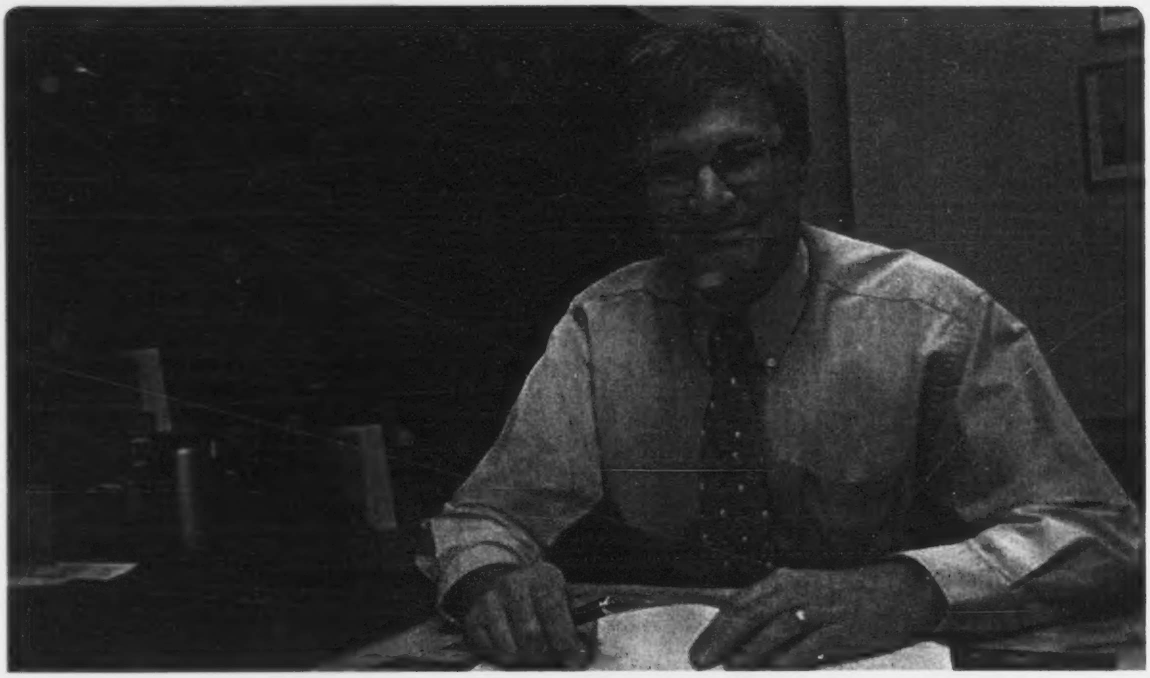
This is a measure of the progress being made in delivering new DSM programs. It records demand reduction in MW at customer sites. The accumulated demand reduction will be achieved through energy efficiency, demand response, customer self generation, and system improvement programs that are designed to achieve energy and demand savings. Program savings are calculated using an appropriate end-use load factor and the amount of energy savings estimated at the customer site. Two new programs were added to the existing DSM portfolio in 2010 — the Residential Appliance Program and Commercial HVAC Program. The total accumulated demand savings in 2010 was 29 MW, below the target of 38 MW. However, DSM remains on track to achieve 100 MW of savings by 2017.

Eneraction — cost of acquired savings ($/kWh)

	2009	2010	2011	2012	2013
Target	0.02	0.02	0.03	0.03	0.03
Actual	0.03	0.03			

This is a measure of the annual cost of SaskPower's DSM initiatives. At the beginning of 2010, Eneraction — SaskPower's portfolio of DSM initiatives — had 12 programs and four demonstration projects in the market. These programs allow SaskPower to work with customers to reduce and adjust electricity use to lessen the overall demand for power. Cost of acquired savings at the end of 2010 due to Eneraction was $0.03/kWh, slightly more expensive than the target. SaskPower's investment on a dollar per kWh basis deviated slightly from the original estimate as some lower-impact programs targeting a limited market affected cost-effectiveness. Overall, SaskPower's investment in DSM remains low when compared to other supply options.

Dave Smith, Supervisor of Environmental Initiatives, works at Operations Support, where the development of emissions control technologies is a priority.



> "The last period of massive growth in SaskPower's electrical system occurred in the 1960s and 1970s — now it's our generation's turn. We'll need to carefully manage all expenditures, minimize the upward pressure on rates and maintain a strong balance sheet."

Ian Yeates, General Manager, Corporate Planning

Strategic priority 7

Prudent financial management and growth

Our stakeholders expect SaskPower to execute sound financial decision-making. This requires us to ensure economic accountability through appropriate financial controls, while maximizing the support of economic development in Saskatchewan.

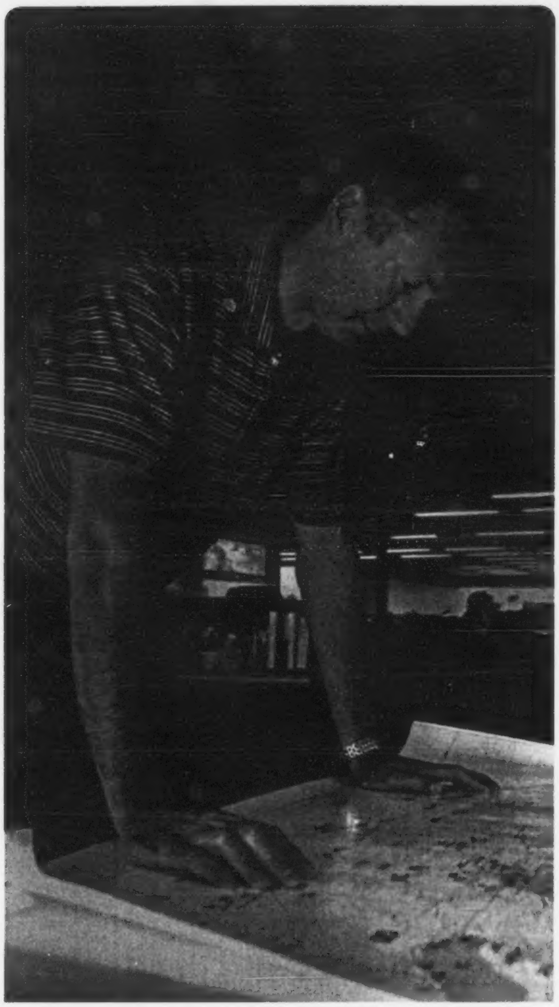
Financial reporting and forecasting

SaskPower has adopted new accounting standards — International Financial Reporting Standards (IFRS) — effective January 1, 2011. These standards replace Canadian Generally Accepted Accounting Principles.

IFRS will have significant impacts on our company's reported financial results and may require changes to existing financial targets. In 2010, we concluded a multi-year conversion project that included changes to select processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Energy trading

SaskPower is always exploring regional opportunities to export Saskatchewan generation using enhanced



Dennis Slade, Senior Marketer, NorthPoint Energy Solutions, is responsible for the transmission strategy used to import and export power within North American jurisdictions.

transmission connections. Meanwhile, subsidiary NorthPoint Energy Solutions continues to export surplus SaskPower electricity and trade in external electricity markets.

While NorthPoint provides a hedge to SaskPower's costs in strong markets, current economic conditions have seen electricity consumption drop roughly 3% across North America over the past two years. Electricity prices are near 10-year lows due to low demand, while natural gas prices have lowered due to shale gas development.

Into 2011, NorthPoint will be actively reworking its strategies and tactics. NorthPoint continues to develop expertise in new markets such as California, and has completed an analysis of the New England market. Overall, while short-term physical trading has been profitable, future growth will be focused more on financial transactions. Opportunities do exist in natural gas storage optimization, although that market is presently muted.

Meanwhile, green energy markets are being investigated while provincial and state renewable energy policies are being developed. Although NorthPoint is monitoring emissions markets, it is too early to determine what opportunities exist until policy and regulations are established. NorthPoint has been actively reworking its organization and processes to identify other profit-making alternatives and to be able to more effectively compete as better North American economic conditions emerge.

Procurement and contractor management

In order to maximize the financial impact of our operations within the province, SaskPower has a long-standing commitment to obtain as many goods and services from provincial suppliers as possible. In 2010, SaskPower contributed over $1 billion to the provincial economy through the procurement of goods and services from Saskatchewan suppliers; the payment of wages and benefits to employees; the purchase of coal; and the acquisition of electricity from IPPs.

Our Supplier Development Program works with local suppliers to develop quality assurance programs, resulting in a continual source of products and the opportunity for suppliers to expand into other markets. SaskPower has in place an Aboriginal Procurement Policy, with a key objective to foster and promote business development that is reflective of Saskatchewan demographics. A new challenge for our company will be to meet the procurement requirements launched under the recent New West Partnership.

During 2010, SaskPower's Corporate Information and Technology Support Group established a vendor of record framework to better manage vendor contracts and contractor resources. Adopting a standing supplier arrangement as recommended by best practice, the benefits achieved from this initiative include dramatically faster procurement of contractor resources and substantial labour cost savings. The anticipated savings to SaskPower are $1.4 million annually.

Per cent debt ratio (%)

	2009	2010	2011	2012	2013
Target	63.4	63.9	68.8	70.5	75.0
Actual	61.4	59.7			

This is a measure of debt expressed as a percentage of the total corporate financing structure. The long-term target has been set as a range between 60 – 75%. This range reflects the flexibility that SaskPower requires to increase its debt levels in order to finance our capital program. The 2010 per cent debt ratio of 59.7% was better than target as SaskPower's capital spending was lower than expected. The per cent debt ratio is discussed in further detail in the financial results section of the Management's Discussion & Analysis (MD&A).

Interest coverage ratio

	2009	2010	2011	2012	2013
Target	•	1.5	1.5	1.7	1.6
Actual	1.5	1.9			

This is a measure of our company's ability to pay the interest charges on our debt. The coverage aspect of the ratio indicates how many times the interest could be paid from available earnings, providing a sense of the safety margin which the company has for paying its finance charges for any period. A company that sustains earnings well above its interest requirements is in an excellent position to weather possible financial downturns. SaskPower's interest coverage ratio for 2010 was 1.9, which was above target.

- *Denotes that actuals or targets were not available or reported for that time period.*

Operating return on equity (%)

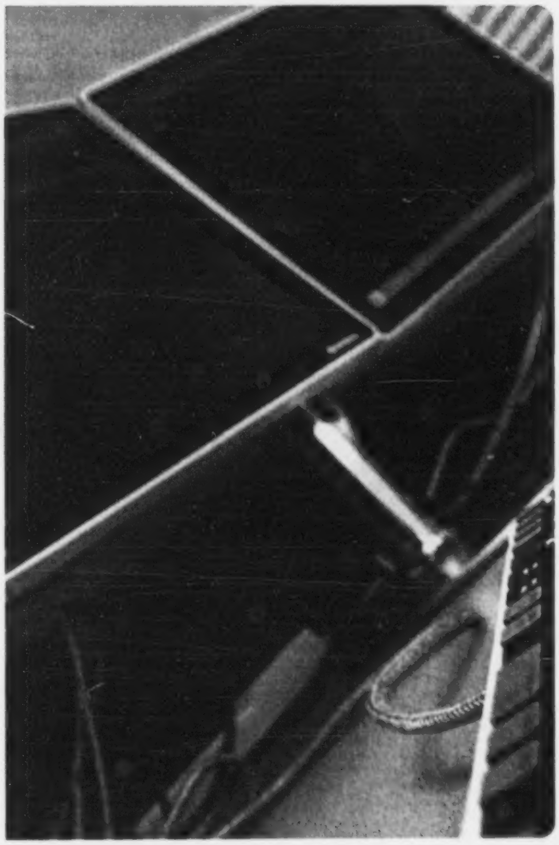
	2009	2010	2011	2012	2013
Target	8.5	7.9	6.7	8.5	8.5
Actual	6.1	10.4			

This is a measure of operating income for the year expressed as a percentage of total equity. The target reflects an appropriate rate of return relative to other Canadian electrical utilities. The operating return on equity was 10.4% in 2010, which was above target. The operating income results are explained in further detail in the financial results section of the MD&A.

NorthPoint growth (%)

	2009	2010	2011	2012	2013
Target	8.0	8.0	8.0	8.0	8.0
Actual	(79.7)	(140.0)			

This is a measure of NorthPoint's net income growth. NorthPoint's growth strategy includes expanded electricity trading in new markets and natural gas sales and storage optimization. The 2010 result was below the target primarily due to decreased electricity demand throughout North America.



As SaskPower enters an era of intensive capital spending, it's expected our company's per cent debt ratio could reach 75% by 2013.

Corporate governance

Accountability is a principal component of SaskPower's corporate values and is essential in our relationship with our customers, stakeholders and shareholder. In order to ensure the continuing presence of a sound corporate governance structure, our company remains committed to ongoing evaluation. Our aim is to continue to strengthen transparency while executing a comprehensive program of reporting.

Company structure

SaskPower is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of SaskPower. In practice, directives are normally in the following forms: CIC Crown subsidiary policies applying to all CIC Crowns; CIC Board resolutions and directives; and CIC management directives.

As the shareholder of SaskPower, CIC provides oversight of our company's operations. Communication is implemented through written policies and directives issued by CIC's management or its Board of Directors, as well as verbally through discussions with SaskPower leaders. Our company reports to CIC on a regular basis on matters such as Corporate Balanced Scorecard results, financial statements and forecasts, capital expenditures and debt obligations. SaskPower also provides ad hoc reports to CIC upon request.

Where required by legislation or policy directive, our company submits performance management and investment decisions for review and approval by CIC and provincial cabinet. Through its Chair, who is an outside Director, the SaskPower Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and cabinet, as well as the provincial legislature.

The Legislative Assembly of Saskatchewan appoints members to the Standing Committee on Crown and Central Agencies at the beginning of each legislative session. This committee holds public hearings and is empowered to review the annual reports, financial statements and operations of Crown corporations and related agencies. The Minister Responsible for Saskatchewan Power Corporation and the Corporation's senior executives are called before the committee to answer questions about the year under review and issues of topical concern.

Governing our company

The Board of Directors is responsible for the general stewardship of SaskPower. It is accountable for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action for SaskPower. The Board works with management to develop and approve SaskPower's Strategic Plan, annual budget and Business Plan. It participates in identifying business risks and oversees the implementation of appropriate systems to achieve a balance between risks incurred and potential returns.

All of SaskPower's Board Members, including the Chair, are independent of management. The expectations and responsibilities of Directors are outlined in terms of reference. Board Members receive a comprehensive orientation and continuing education. In addition to being subject to SaskPower's Code of Conduct Policy, Board Members are also bound by the CIC Directors' Code of Conduct. Peer evaluations are completed annually.

Director	Meetings attended[1]
Joel Teal, Chair	12
Bill Wheatley, Vice-chair	11
Tammy Cook-Searson	10.5
Ian Coutts[2]	8
Judy Harwood	12
Mitchell Holash[2]	10
Nicholas Kaufman	12
Bryan Leverick	12
Mick MacBean	11
Al Macatavish[3]	2
Andy McCreath[4]	1
Grant McGrath[3]	0
Lorne Mysko[2]	10

[1] There were a total of 12 meetings held in 2010.
[2] Appointed February 4, 2010.
[3] Cancelled February 4, 2010.
[4] Appointed December 1, 2010.

Visit saskpower.com for a full description of SaskPower's corporate governance practices, including Board and Director terms of reference.

Leadership by committee

During the year, the Board reviewed the strategic direction of SaskPower, as well as numerous operational, financial, environmental, human resource and governance items. The Board also continues to adopt policies and processes to enable effective communication with the shareholder, stakeholders and public.

Our company's Board has standing committees to assist in discharging specific areas of responsibility. In 2010, the Board had three standing committees:

Audit and Finance Committee
Five meetings
Chair: Mick MacBean
Members: Ian Coutts, Bryan Leverick and Bill Wheatley

The Audit and Finance Committee's terms of reference mandate the committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The committee oversees the risk management reporting of SaskPower and directly interacts with the internal and external auditors. The committee ensures that the Board is provided with financial plans, proposals and information that are consistent with our company's overall strategic planning and public policy objectives.

During 2010, the committee reviewed annual and interim financial statements, regular risk reporting packages, Corporate Balanced Scorecard reporting, the 2011 Business Plan, as well as the Deloitte & Touche LLP and Provincial Auditor 2009 audit summaries. The committee approved the work plan for the Internal Audit Department and monitored quarterly reporting on irregularities. Although there were no material irregularities in 2010, quarterly reporting enhances and underscores ongoing vigilance in this area.

The committee is also responsible for reviewing proposed capital and operating, maintenance and administration projects that are material from a risk or value perspective prior to referral to the Board. In 2010, the committee assessed several significant projects, including the proposed Boundary Dam Integrated Carbon Capture and Sequestration Demonstration Project.

Environment, Occupational Health and Safety Committee
Four meetings
Chair: Tammy Cook-Searson
Members: Judy Harwood, Nick Kaufman and Lorne Mysko

The Environment, Occupational Health and Safety Committee is charged with ensuring that the Corporation proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements.

During the year, highlights included affirming SaskPower's Environmental Policy, monitoring compliance with mining reclamation plans, reviewing management's risk criteria for information reporting, as well as tracking changes to federal environmental legislation.

The Committee also reviewed the safety component of SaskPower's Strategic Plan, assessed progress on the implementation of SaskPower's Safety Management System and monitored incident reporting.

Governance/Human Resources Committee
Six meetings
Chair: Bryan Leverick
Members: Judy Harwood, Mitch Holash and Nick Kaufman

The Governance/Human Resources Committee is responsible for the development, review and effectiveness of SaskPower's corporate governance practices. The committee's governance-related duties include serving as ethics advisor for the Board, monitoring and evaluating overall Board performance on a bi-annual basis, providing guidance on governance issues to Directors, and recommending governance issues for discussion by the Board or committees.

In 2010, the Committee recommended the creation of a Governance Office within SaskPower to support the decision-making process in accordance with best governance practices. The Committee also approved the creation of the Saskatchewan Electric Reliability Authority within SaskPower to implement and enforce bulk electric system reliability standards in Saskatchewan.

The Governance/Human Resources Committee is also charged with overseeing SaskPower's human resource strategies, programs and practices. In 2010, the Committee reviewed the results of a Corporate-wide employee engagement survey.

Assessing our governance performance

Our company is committed to regularly revisiting key elements of SaskPower's decision-making processes to ensure we continue to meet best practice standards. As a Crown corporation, SaskPower is not required to comply with Canadian Securities Administrators (CSA) Governance Guidelines. However, we use these guidelines to benchmark our governance practices.

Our company's practices are substantially consistent with CSA standards, as set out in the following scorecard:

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Composition of the Board 3.1 The Board should have a majority of independent Directors.	The Board is comprised of 11 independent Directors.	Yes
3.2 The Chair of the Board should be an independent Director. Where this is not appropriate, an independent Director should be appointed to act as "Lead Director." However, either an independent Chair or an independent Lead Director should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent Director.	Yes
Meetings of independent Directors 3.3 The independent Directors should hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance.	All members are independent. The Board typically has at least one in camera session without management at every meeting.	Yes
Board mandate 3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	The Board has a written mandate in its terms of reference, where it explicitly acknowledges that the Board of Directors functions as a steward of the Corporation.	Yes
(a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;	The terms of reference for a Director state that Directors shall require "of themselves and corporate employees high standards of ethical behaviour…" The President and CEO mandate also places accountability on that position for ensuring activities and practices of the Corporation are ethical and compliant with the law.	Yes

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The Board, working with the executive, provides strategic direction to SaskPower as a corporation. Formally, this is accomplished with the annual approval of the Strategic Plan.	Yes
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	The Board identifies principal risks to the Corporation on an annual basis. Either directly or through the Audit and Finance Committee, the Board monitors the Corporation's risk management programs. It also oversees the implementation of risk-management systems. The Audit and Finance Committee meets regularly to review reports and discuss significant risk concerns with both the internal and external auditors.	Yes
(d) succession planning (including appointing, training and monitoring senior management);	The Board terms of reference state that the Board is responsible for succession planning.	Yes
(e) adopting a communication policy for the issuer;	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	Yes
(f) the issuer's internal control and management information systems; and	The Board has approved an internal control program. SaskPower has documented and evaluated the design of the Corporation's internal controls over financial reporting, including the adequacy of its information systems. The Corporation has developed a testing program to regularly evaluate the effectiveness of these controls. SaskPower's CEO and CFO annually certify that our company has developed an appropriate set of internal controls over financial reporting and that the controls are working effectively.	Yes
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.[1]	The Governance/Human Resources Committee is responsible for and reports to the Board on corporate governance matters. The committee also functions as the ethics advisor for the Board.	Yes
The written mandate of the Board should also set out: (i) measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent Directors), and	The Board assumes responsibility for adopting policies and processes to enable effective communication with the shareholder, stakeholders and the public. To facilitate feedback from employees, the Board has adopted a whistle blower policy.	Yes
(ii) expectations and responsibilities of Directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 Disclosure Standards.	Expectations and responsibilities of Directors, including participation in and preparation for meetings, are outlined in the terms of reference for a Director.	Yes

---

[1] Issuers may consider appointing a Corporate Governance Committee to consider these issues. A Corporate Governance Committee should have a majority of independent Directors, with the remaining members being "non-management" Directors.

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Position descriptions 3.5 The Board should develop clear position descriptions for the Chair of the Board and the Chair of each Board committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	In 2010, the Governance/Human Resources Committee reviewed terms of reference for the Board Chair as well as Committee Chairs. These have been approved by the Board. The Board has also adopted a President and CEO mandate.	Yes
Orientation and continuing education 3.6 The Board should ensure that all new Directors receive a comprehensive orientation. All new Directors should fully understand the role of the Board and its committees, as well as the contribution individual Directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its Directors). All new Directors should also understand the nature and operation of the issuer's business.	The Governance/Human Resources Committee terms of reference state that it shall recommend a Director orientation and continuing education policy. New Directors receive a comprehensive orientation to corporate issues and processes. Comprehensive briefing materials are also provided to new members covering key aspects of the Corporation's business. The expectations of individual Directors are set out in the terms of reference for a Director approved by the Board. These expectations include attendance at meetings, participation in Board and committee work, and advance preparation for each meeting.	Yes
3.7 The Board should provide continuing education opportunities for all Directors, so that individuals may maintain or enhance their skills and abilities as Directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	SaskPower Board Members are offered the opportunity to attend The Director's College. Sponsored by CIC, this modular program focuses on the highest calibre governance practices, including technical and behavioural aspects of board governance. Directors who complete all five modules of the program are eligible to write a final examination and receive certification as a chartered corporate Director. In addition, the Corporation provides opportunities to participate in site visits and tours. The Board also receives industry-specific briefings as a backdrop for policy and investment decisions.	Yes
Code of Business Conduct and Ethics 3.8 The Board should adopt a written Code of Business Conduct and Ethics (a Code). The Code should be applicable to Directors, officers and employees of the issuer. The Code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	SaskPower has a written Code of Conduct Policy applicable to Directors, officers and employees. It is intended to provide both general and specific guidelines to protect and guide SaskPower personnel faced with ethical, moral and legal dilemmas during the course of their employment or in carrying out their duties. The Board has the responsibility to review and revise the Code, as required. The Board has further strengthened this directive by adopting a whistle blower policy and implementing an anonymous reporting process to help deter wrongdoing. Quarterly irregularity reporting has been implemented to keep the Board informed of compliance issues.	Yes
(a) conflicts of interest, including transactions and agreements in respect of which a Director or Executive Officer has a material interest;	The Code addresses conflict of interest. Board Members complete and file an annual conflict of interest declaration with the office of the general counsel as well as declare any conflicts on the spot as they may arise in a meeting setting. Board Members are also bound by the CIC Directors' Code of Conduct.	Yes
(b) protection and proper use of assets and opportunities;	Property and inventions are covered in the Code as well as the appropriate use of business assets.	Yes
(c) confidentiality of corporate information;	Confidentiality is covered in the Code, including SaskPower information that contains third party information and personal information about personnel and customers.	Yes

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Fair dealing is covered in the General Conduct Principles section of the Code as follows: "SaskPower expects personnel to conduct themselves…in a manner that is and is perceived to be fair and evenhanded, and to carry on their activities within the scope of their duties and in compliance with applicable laws and this Code and related policies. The public is entitled to expect and receive…fair and equitable treatment and compliance with confidentiality expectations and laws, whether in the provision of services or in the acquisition of property."	Yes
(e) compliance with laws, rules and regulations; and	The Code requires Directors, officers and employees to comply with applicable laws and related policies.	Yes
(f) reporting of any illegal or unethical behaviour.	The Code places an onus on employees to report suspected illegal or unethical behaviour. This is facilitated by specific procedures for reporting and investigating unethical conduct and other irregularities, which are appended to the Code.	Yes
3.9 The Board should be responsible for monitoring compliance with the Code. Any waivers from the Code that are granted for the benefit of the issuer's Directors or Executive Officers should be granted by the Board (or a Board committee) only. Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a Director or Executive Officer which constitutes a material departure from the Code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the Code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the Board has or has not sanctioned the departure(s), and • any measures the Board has taken to address or remedy the departure(s).	The Governance/Human Resources Committee's terms of reference state that it shall monitor and report annually to the Board concerning compliance with the "Director's Code of Conduct" and to "review and report to the Board on conflict of interest matters involving Directors." There were no waivers granted in 2010 with respect to Code compliance by Directors, Officers or employees.	Yes
Nomination of directors 3.10 The Board should appoint a Nominating Committee.	The mandate of the Governance/Human Resources Committee as stated in its terms of reference includes reviewing and recommending qualified potential candidates for the Board. The names of recommended candidates are submitted by the Board to CIC as shareholder. The appointment and removal of Directors is ultimately the prerogative of the Lieutenant Governor in Council, as established by statute.	**Substantial compliance**

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
3.11 The Nominating Committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the Board. In addition, the Nominating Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate Directors, the selection and nomination of those Directors need not involve the approval of an independent Nominating Committee.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all terms referred to in the CSA guideline, with the exception of authority to delegate to individual members and subcommittees and member appointment and removal. The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	**Substantial compliance**
3.12 Prior to nominating or appointing individuals as Directors, the Board should adopt a process involving the following steps: (a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	A skills profile, identifying the desired mix of experience and competencies required for the Board to effectively discharge its responsibilities, has been developed and is periodically updated.	**Yes**
(b) Assess what competencies and skills each existing Director possesses. It is unlikely that any one Director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each Director, as these may ultimately determine the boardroom dynamic.	The Governance/Human Resources Committee, with assistance from the Corporate Secretary, maintains and updates a skills matrix of existing members. As needed, it conducts a gap analysis to identify skills required for future appointments to round out the Board's overall skill set.	**Yes**
The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision making. In carrying out each of these functions, the Board should consider the advice and input of the Nominating Committee.	The terms of reference for the Governance/Human Resources Committee state that it shall recommend the size of the Board.	**Yes**
3.13 The Nominating Committee should be responsible for identifying individuals qualified to become new Board Members and recommending to the Board the new Director nominees for the next annual meeting of shareholders.	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	**Yes**
3.14 In making its recommendations, the Nominating Committee should consider: (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (b) the competencies and skills that the Board considers each existing Director to possess; and	The terms of reference for the Governance/Human Resources Committee require the Committee to, "Recommend to the Board the size, composition, required capabilities and compensation of the Board of Directors to meet the needs of the Corporation."	**Yes**
(c) the competencies and skills each new nominee will bring to the boardroom. The Nominating Committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board Member.	When seeking candidates to fill a vacancy, the Governance/Human Resources Committee considers how the skills and competencies of each candidate fit with the identified gaps on the Board. The Governance/Human Resources Committee ensures the potential nominees understand the requirements of the position and have sufficient time and resources to devote to their duties.	**Yes**

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Compensation 3.15 The Board should appoint a Compensation Committee composed entirely of independent Directors.	All members of the Governance/Human Resources Committee are independent Directors.	Yes
3.16 The Compensation Committee should have a written charter that establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all items referred to in the CSA guideline (with the exception of member appointment and removal, which is established by statute). The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	Yes
3.17 The Compensation Committee should be responsible for: (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;	The Governance/Human Resources Committee's terms of reference state that the CEO's review is based upon agreed-upon objectives, updated each year. While CEO compensation was not addressed specifically, the committee had the responsibility to review and monitor all management compensation and benefit programs. As SaskPower is not a publicly-traded company, the parameters for CEO compensation are set by its shareholder, CIC.	Yes
(b) making recommendations to the Board with respect to non-CEO Officer and Director compensation, incentive-compensation plans and equity-based plans; and	The Governance/Human Resources Committee has the responsibility to annually review and monitor management compensation and benefit programs and make recommendations to the Board. The committee is also responsible for recommending Director compensation to the Board. CIC, as shareholder, sets director remuneration.	Yes
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	The compensation of executive members and all employees earning more than $50,000 per year is annually disclosed to the Standing Committee on Crown and Central Agencies of the Legislative Assembly, and ultimately the public, through payee disclosure. In addition, the President and CEO — and direct reports — are required to file their employment contracts, and any amendments thereto, with the Clerk of the Executive Council pursuant to *The Crown Employment Contracts Act*.	Not applicable
Regular Board assessments 3.18 The Board, its committees and each individual Director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	The Governance/Human Resources Committee coordinates the assessment process with the assistance of the Corporate Secretary or an external service provider. Performance evaluations are conducted annually on a two-year cycle, with Board and Board Chair evaluations being conducted one year, and direct peer, Committee Chair and committee evaluations being conducted the following year. In 2010, evaluations were conducted of the Board and Board Chair.	Yes
(a) in the case of the Board or a Board committee, its mandate or charter, and	Comprehensive evaluation surveys have been developed that take into consideration the mandate of the Board as well as accepted good governance practices.	Yes
(b) in the case of an individual Director, the applicable position description(s), as well as the competencies and skills each individual Director is expected to bring to the Board.	Peer evaluations are completed every other year and are based on the position description for Directors.	Yes

Board of Directors

As at December 31, 2010

Full biographies are available at saskpower.com

Joel Teal
Chair
Saskatoon, Saskatchewan

Joel Teal is the President of Dundee Developments/Homes by Dundee, where he has worked since 1996. Dundee has operations located in Calgary, Edmonton, High River, Regina and the Saskatoon head office. Previously, Mr. Teal was the President and CEO of Preston Developments.

Mr. Teal is currently a Board Member of the Saskatchewan Roughriders Football Club and Saskatchewan Blue Cross. On two separate occasions he served a total of 10 years as a Director of Canada Mortgage and Housing Corporation. He is also a Past Director of the Saskatoon Chamber of Commerce and the Saskatoon Regional Economic Development Authority. He was the Vice-president, Sponsorship, for the Labatt Brier 2000 and a Director and Chair of the Long Range Planning Committee of Riverside Country Club for several years.

Mr. Teal has been awarded the Saskatchewan Centennial Medal for Volunteerism and the Canada Medal of Bravery. He was also recognized as Canadian Home Builder Member of the Year by the Canadian Home Builders' Association, and in 2008, Mr. Teal was named one of Saskatchewan's 10 Men of Influence by Saskatchewan Business Magazine. In 2009, he was a finalist for the Saskatchewan Chamber of Commerce Business Leader of the Year Award.

Bill Wheatley
Vice-chair
Regina, Saskatchewan

Bill Wheatley is Managing Director and General Counsel at Greystone Managed Investments Inc., a local firm with more than $35 billion in assets under management across Canada. He is a member of the Board of Directors of VIA Rail Canada and is Past Chairman of the Saskatchewan Securities Commission.

Mr. Wheatley graduated from the University of Saskatchewan, where he earned a Bachelor of Commerce degree. He subsequently entered the University of Saskatchewan's Law School and was called to the bar in 1973. Before starting work with Greystone, Mr. Wheatley was the head of a Regina real estate firm and Chief of Staff to the Minister of Finance and Department of Justice.

Tammy Cook-Searson
La Ronge, Saskatchewan

Chief Tammy Cook-Searson is the first woman to lead the Lac La Ronge Indian Band, one of the largest and most progressive First Nations bands in Canada. In 2008, she began her second consecutive three-year term as Chief. Prior to her present role, she served as a social worker and as an elected Band Councillor for eight years. As an entrepreneur, Chief Cook-Searson has owned and operated a marina since 1993.

She is President of Kitsaki Management Limited Partnership, the Band's economic development initiative with several businesses in various sectors. She has also served on numerous local and provincial boards. In recognition of Chief Cook-Searson's community service, she was honoured with the Saskatchewan Centennial Medal and the Queen's Golden Jubilee Medal.

Ian Coutts
Kindersley, Saskatchewan

Ian Coutts is the President and co-owner of Coutts Agro Ltd., a large grain farm located in west central Saskatchewan. He is also founder and President of Meridian Grain, a privately held grain company.

Mr. Coutts is also a past Vice-president of Canpulse Foods, a specialty grain processor and exporter to international markets. He has extensive retail experience, having owned and operated a successful clothing business in Kindersley.

Judy Harwood
Saskatoon, Saskatchewan

Judy Harwood is the general manager of the Park Town Hotel in Saskatoon — a 172-room full-service property situated on the South Saskatchewan River. Ms. Harwood holds a certificate from Cornell University in Essentials of Hospitality Management along with her Certified Hotel Administrator (CHA) designation.

Currently, Ms. Harwood is Co-chair of the Saskatoon District Planning Commission and Board Member of the Tourism Sector for Enterprise Saskatchewan. She has also served on the boards of SaskTel, Saskatchewan Transportation Company, Saskatoon Prairieland Exhibition Corporation, Saskatoon Chamber of Commerce and Ronald McDonald House. She was President of the North Saskatoon Business Association and Councillor of Corman Park. Ms. Harwood was also voted one of Saskatchewan's 10 Most Influential Women by Saskatchewan Business Magazine and awarded the Queen's Golden Jubilee Medal.

Mitchell Holash
Prince Albert, Saskatchewan

Mitchell Holash is a partner in the law firm of Holash Logue McCullagh. He was called to the bar in 1985. Mr. Holash is Chairman of the Alfred Jenkins Field House Project, Trustee for the Saskatchewan Foundation for the Arts, and Founding Director of the Saskatchewan Health Excellence Awards and Wanisca First Nations Arts Festival.

He was named Prince Albert's Citizen of the Year in 2003. He has also been awarded the Community Development Award by the Saskatchewan Association of Community Planners, the Saskatchewan Centennial Medal and the Lieutenant Governor's Saskatchewan Volunteer Medal. Other achievements include serving as Chairman of the Saskatchewan Police Commission and as a professional representative on Saskatchewan Justice's Northern Justice Review Committee.

Nicholas Kaufman
Regina, Saskatchewan

Nicholas Kaufman is an Associate of Counsel at McCrank Stewart LLP, Barristers and Solicitors. Mr. Kaufman was the Vice-president of Law at SaskPower from 1989 to 1991. He has also held the positions of Partner and Senior Counsel at Rendek Kaufman McCrank Barristers and Solicitors and Associate at Balfour Moss. He has served as Director of Pioneer Life Assurance Company and Director of Canadian Pioneer Management.

Mr. Kaufman was appointed to Queen's Counsel in 1985. He is an active member of the Regina community and is former Director and President of the Regina Rotary Club and former Director of the Saskatchewan Roughriders Football Club. Mr. Kaufman studied at the University of Saskatchewan where he earned a Bachelor of Arts and Bachelor of Laws (cum laude).

Bryan Leverick
Saskatoon, Saskatchewan

Bryan Leverick is President of Saskatchewan-based Alliance Energy Ltd. and has been with the company since 1974. Mr. Leverick serves on the Electrical Trade Advisory Board and the Electrical Curriculum Committee. He is also a Board Member of the Canadian Electrical Contractors as Past Chairman and a Board Member of the Saskatoon Regional Economic Development Authority.

Mr. Leverick has served as Director of the Canadian Electrical Contractors Association and Past President of the Saskatoon Construction Association and the Saskatchewan Bid Depository. He is also Past Chairman of the Saskatoon City Hospital Foundation and is an avid supporter of the Canadian Cancer Society Jail and Bail Most Wanted Program. In 2003, he was honoured with the Distinguished Service Award by the Saskatchewan Construction Association and received the Person of the Year Award in 2006.

Mick MacBean
Swift Current, Saskatchewan

Mick MacBean is a Managing Director with TriWest, one of Canada's leading private equity firms. From 1998 to 2010, he was the founder, CEO, and Director of Diamond Energy Services. Mr. MacBean also was employed by ARC Financial Corporation in a variety of disciplines, including merchant banking and private equity. He also serves as a director of a number of private and public companies.

In 1990, Mr. MacBean earned a Bachelor of Commerce degree from the University of Saskatchewan. He is also a Chartered Accountant and a Chartered Director. He was recognized with the Gilbert Bennett Outstanding Graduating Director Award by McMaster University, DeGroote School of Business.

Andy McCreath
Calgary, Alberta

Andy McCreath, President of McCreath Communications, is a noted marketing, public relations and communications professional and producer of sophisticated geopolitically relevant and market-centric conferences and events. His projects encompass such topics as U.S. and Canadian relations, macroeconomics, leadership and global relations. He has produced events across Canada.

Mr. McCreath formerly worked at Wellington West Capital, BMO Nesbitt Burns, and the National Hockey League's head office in New York. He was named one of Calgary's Top 40 under 40 and one of the 20 Leaders of Tomorrow by Business in Calgary Magazine. Mr. McCreath was also named one of Alberta's 50 Most Influential People by Alberta Venture Magazine and presented with the Outstanding Young Alumni Award by the University of Saskatchewan.

Lorne Mysko
Saskatoon, Saskatchewan

Lorne Mysko and his wife operate Riverview Bed and Breakfast. Mr. Mysko spent 33 years with the Royal Bank in several management positions throughout Saskatchewan before retiring in 2001. Until 2008, he was a major shareholder in an automotive business in Saskatoon.

Throughout his years with the bank, Mr. Mysko volunteered with a variety of service clubs and local sporting organizations, holding office and directorships in many of them. In Saskatoon, he also served two terms with the City of Saskatoon Economic Development Board.

Acting Corporate Secretary

- Wendy Dean

Compensation

Under the authority of *The Crown Corporations Act, 1993*, SaskPower's shareholder, CIC, directs the compensation received by Directors. In addition to reimbursement for reasonable expenses incurred while performing their duties (including related travel, meal and accommodation costs), Directors receive an annual retainer and meeting fees for service:

- The Board Chair receives an annual retainer of $15,000 and a $900 meeting fee.
- The Vice-chair and other Board Members receive an annual retainer of $10,000 and a $700 meeting fee.
- Committee Chairs receive an $800 Committee Chair meeting fee.

Executive team

As at December 31, 2010

Full biographies are available at saskpower.com

Robert Watson
President and CEO (effective August 16, 2010)
SaskPower

Before joining SaskPower, Mr. Watson served as President and CEO of SaskTel beginning in November of 2004. Prior to that appointment he held several senior executive positions in the Canadian telecom industry. He has also held various senior-level roles within telecommunications, as well as the education and community sectors. Mr. Watson is a graduate in Electrical Technologies from Ryerson University. He has attended the International Executive Development Program at the INSEAD Centre in Fontainebleau, France, as well as the Executive Management Program at Ashridge Business School in the United Kingdom. He also holds an ICD.D designation from the Institute of Corporate Directors. He is the Chairman of the Board for Information Technology Association of Canada (ITAC).

Garner Mitchell
Acting President and CEO (through August 15, 2010)
SaskPower

A registered professional engineer in Saskatchewan, Garner Mitchell has held various positions throughout his 40-year career with SaskPower. He served as Vice-president, Project Development and Operations, with SaskPower International before being appointed to Vice-president, Power Production, in 2001. Mr. Mitchell has had both business and management responsibilities, spanning maintenance, construction, engineering and power station operations. He graduated in 1973 with a Bachelor of Science degree in Mechanical Engineering.

Guy Bruce
Acting Vice-president
Planning, Environment & Regulatory Affairs (PERA)

Mr. Bruce has more than 30 years of experience in the electric utility industry, including work in plant engineering, power system operations, risk management, asset management and business planning. In also continuing in his role as General Manager, System Planning, he is responsible for the integration of SaskPower's long-term supply and transmission planning. He oversees five groups within PERA: Sustainable Supply Development, Network Development, Environmental Programs, Emissions Planning and Mitigation, and Strategic Corporate Development. Prior to joining PERA, he spent seven years with Power Production as Manager, Business Performance and Planning. Mr. Bruce is a professional electrical engineer who graduated from the University of Saskatchewan.

Philip H. Davies
Vice-president, General Counsel and Assistant Secretary
Law, Land and Regulatory Affairs

Prior to his role with SaskPower, Philip H. Davies was Principal at Philip H. Davies Professional Corporation, specializing as a legal and business consultant in the acquisition, development and operation of energy infrastructure in Canada and the U.S. He has also served as Vice-president, General Counsel and Corporate Secretary of Niska Gas Storage and Vice-president, General Counsel and Corporate Secretary of EnCana Gas Storage Inc. Mr. Davies graduated from the Faculty of Law at the University of Alberta in 1978 and in 1998 completed the Executive Development Program at the Richard Ivey School of Business at the University of Western Ontario.

Kevin Doherty
Vice-president
Corporate Relations

Before joining SaskPower, Kevin Doherty was in a senior management role as Division Director with Investors Group. He also spent six years with Bayer Healthcare, serving as Area Sales Manager and Director of Professional and Government Relations. Mr. Doherty worked with GlaxoWellcome as Manager of Provincial Relations and served the Saskatchewan provincial government as both Chief of Staff to the Minister of Finance and Chief of Staff to the Minister of Education. Mr. Doherty received a Bachelor of Arts from the University of Saskatchewan in 1985.

Sandeep Kalra
Vice-president and Chief Financial Officer
Finance and Enterprise Risk Management

Sandeep Kalra joined SaskPower after eight years in various positions with Finning International, the world's largest Caterpillar distributor. His most recent role was as Vice-president and Corporate Treasurer at the company's head office in Vancouver. Prior to his work with Finning, Mr. Kalra held financial positions with Hertz Corporation, PepsiCo, Deloitte and Samtel India. He is a Chartered Accountant through both the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of India. Mr. Kalra holds a Bachelor of Commerce with honours from Delhi University and an MBA from the Stern School of Business.

Tom Kindred
Vice-president and Chief Information Officer
Corporate Information and Technology

Prior to his role with SaskPower, Tom Kindred was Site Executive and Senior Vice-president of Innovation and Client Enhanced Services for MBNA Canada Bank/Bank of America. He spent over 10 years with CUETS Financial as the Executive Vice-president and CIO and 12 years in strategic and engineering positions at SaskTel. Mr. Kindred graduated from the Executive Education Program at Harvard Business School and has a Master of Science in Electrical Engineering and a Bachelor of Applied Science in Electronic Information Systems Engineering.

John Lebersback
Acting Vice-president (effective January 1, 2010)
Power Production

Before moving into his current role, John Lebersback served as Chief Engineer, Engineering Services, and Manager, Operations Support. He also served in several engineering and project management positions, working on thermal, hydro and wind generation projects. Mr. Lebersback graduated in 1974 with a Bachelor of Science degree in Electrical Engineering from the University of Saskatchewan. In 1989, he earned a diploma in Business Administration from the University of Regina.

Mike Marsh
Vice-president
Transmission and Distribution

Mr. Marsh holds a Bachelor of Science in Mechanical Engineering from the University of Saskatchewan, as well as an MBA from the Queen's School of Business. Before becoming Vice-president of Transmission and Distribution, he held the position of Manager, Business and Financial Planning, as well as supervisory roles in engineering and maintenance with Power Production. Prior to joining SaskPower, Mr. Marsh was employed in the construction industry in Alberta and Saskatchewan.

Judith A. May
Vice-president
Customer Services

Since joining SaskPower in 1981, Judy May has served as the Manager of Call Centres and Collections, as well as a series of positions within Customer Services. Holding a Bachelor of Administration, Ms. May has acted as Chair of the Canadian Electricity Association Customer Council.

Michael Monea
Vice-president
Integrated Carbon Capture and Sequestration Project

Michael Monea holds professional engineer and geoscientist designations, a well as a Bachelor of Science from the University of Regina. Before joining SaskPower, he was Senior Vice-president with Canada Capital Energy Corporation. He served as Executive Director of the Petroleum Technology Research Centre at the University of Regina and has held a number of other executive and technical positions in the oil and gas sector.

Grant Ring
President and CEO
NorthPoint Energy Solutions

Grant Ring is a Certified Management Accountant and holds an MBA. Before heading subsidiary NorthPoint, he held the SaskPower positions of Acting Vice-president and Chief Financial Officer, Corporate and Financial Services, as well as Treasurer, Financial Services. Prior to joining our company, Mr. Ring was employed in various accounting positions in private sector manufacturing and construction.

Compensation

CIC has established a framework for executive compensation, and SaskPower's Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning executive compensation issues to the Governance/Human Resources Committee. Executive performance is assessed annually against corporate and individual objectives that are aligned with our company's Strategic Plan. The mandate for executive compensation for Saskatchewan Crown corporations is established and monitored by the shareholder, CIC.

Direct reports of SaskPower's President & CEO, including all executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature within 14 days of occurrence. In addition, the Crown and Central Agencies Committee of the Legislative Assembly of Saskatchewan requires Crown corporations, including SaskPower, to file an annual payee list that includes the total compensation of executive members.

Salary ranges for SaskPower's executive team, as of December 31, 2010, were:

- President and CEO: $237,157 to $296,446.
- Vice-president: $171,346 to $251,978.

Management's
discussion & analysis

43 Organization overview
46 2010 financial results
55 2010 quarterly results
56 Financial condition
57 Liquidity and capital resources
60 Outlook
61 SaskPower subsidiaries
62 Off-balance sheet arrangements
62 Related party transactions
63 Analysis of critical accounting policies and estimates
64 Non-GAAP measures
65 Future accounting policy changes
69 Risk management

March 17, 2011

The following is a discussion of the consolidated financial condition and results of the operations of Saskatchewan Power Corporation (SaskPower; the Corporation) for the year ended December 31, 2010. It should be read in conjunction with the audited financial statements and accompanying notes. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

This management's discussion and analysis (MD&A) contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Organization overview

Our business

SaskPower is a vertically integrated electric utility dedicated to providing generation, transmission, distribution and retail services to more than 473,000 customers in Saskatchewan. Over 2,700 permanent full-time employees are employed in three Business Units, eight Corporate Groups and three wholly-owned subsidiaries — NorthPoint Energy Solutions, SaskPower Shand Greenhouse, and SaskPower International.

Our company manages more than $5 billion in assets to generate and supply electricity to our customers. The Corporation relies on a generating fleet that uses a wide range of fuels including coal, hydro, gas and wind. This diversity of sources provides a hedge against supply and price volatility, protecting customers from some of the risk inherent in any single fuel.

Our mandate

SaskPower traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, our company was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act* (the Act). The Act has had a number of modifications over its lifetime. However, SaskPower's mission — to deliver power in a safe, reliable and sustainable manner — has not fundamentally changed.

The Act grants SaskPower the exclusive franchise and obligation within the province (except for the City of Saskatoon and the City of Swift Current) to supply, transmit and distribute electricity, as well as to provide retail services to customers. The Reseller class of customer is restricted to two cities that retained their municipal franchise — the City of Swift Current and the City of Saskatoon.

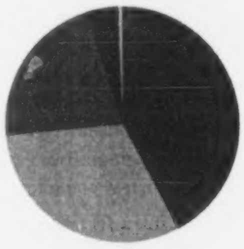
Our company's vision, mission and values flow from the Act and SaskPower's relationship with its parent company, Crown Investments Corporation (CIC) of Saskatchewan. We support the strategic direction provided by CIC. In turn, CIC is responsive to general government direction as articulated in a variety of ways, such as through the annual Speech from the Throne, or with formal policy statements.

The President and Chief Executive Officer of SaskPower reports to a Board of Directors appointed by the Lieutenant Governor in Council pursuant to the Act. Through the Chair, our company's Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and cabinet, as well as the provincial legislature.

Our capacity

To ensure reliability of service, SaskPower maintains a generating capacity greater than the province's peak demand. The Corporation's available generation capacity is 3,982 megawatts (MW). This includes 3,513 MW available from our company's own assets — three coal-fired stations, seven hydro stations, six natural gas stations and two wind generation facilities.

SaskPower also has an available generation capacity of 469 MW through long-term power purchase agreements. Facilities producing the electricity are the gas-fired Cory Cogeneration Station near Saskatoon; the gas-fired Meridian Cogeneration Station at Lloydminster; the SunBridge Wind Power Project near Swift Current; and the NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects.



2010 AVAILABLE GENERATING CAPACITY – 3,982 MW

SaskPower uses a diversified portfolio of assets to meet its generation requirements.

The total available generating capacity is above the Corporation's record system peak load of 3,231 MW, which was set in December 2009.

SaskPower's excess generating capacity — the difference between total available generating capacity and load — provides our company with the ability to carry out annual maintenance programs without compromising the Corporation's reserve capacity requirements. SaskPower will also take advantage of excess capacity throughout the year to make export sales when it can earn an appropriate margin while operating within an acceptable level of risk.

Our system

Our transmission system is made up of 12,705 km of power lines and 53 high voltage switching stations located across Saskatchewan. Transmission lines are high voltage lines (over 25,000 volts) that transport large volumes of electricity from generating stations to load centres — cities, towns or large industrial or commercial customers.

The Corporation's transmission infrastructure also includes the Grid Control Centre (GCC), which directs the safe and reliable operation of the power system and the Supervisory Control and Data Acquisition (SCADA) system that provides remote operations and control at SaskPower's facilities.

Our distribution system consists of 137,380 km of power lines, 182 distribution substations and more than 169,000 pole and pad-mounted transformers. Distribution lines are lower voltage lines (under 25,000 volts) that take electricity in smaller quantities to residential users and smaller commercial consumers.

The challenge of managing the transmission and distribution system is considerable because of the large geographic size of the province, locations of various sources of generation, and dispersed and relatively small population.

SaskPower has interconnections at the Manitoba, Alberta and North Dakota borders. These provide our company with the capability to import or export electricity to meet higher internal demand or take advantage of export market opportunities. Under normal system conditions, the import capability is 275 MW from Manitoba, 75 MW from Alberta and 150 MW from North Dakota. The export capability is 150 MW to Manitoba, 153 MW to Alberta and 125 MW to North Dakota. However, both imports and exports from Manitoba and North Dakota are interdependent and the capabilities cannot be achieved simultaneously.

These interconnection capabilities vary with system conditions, including generation and load level. In compliance with the Open Access Transmission Tariff (OATT), SaskPower is required to compete with other suppliers for access to these interconnections. The OATT enables competitors to schedule access to our company's transmission system, allowing them to wheel power through Saskatchewan or sell to SaskPower's wholesale (Reseller) customers.

Our contributions

In 2010, SaskPower contributed over $1 billion to the provincial economy. This occurred through the procurement of goods and services from Saskatchewan suppliers; the payment of wages and benefits to employees; the purchase of coal; and the acquisition of electricity from Independent Power Producers (IPPs).

Our company's contributions also included $19 million in grants-in-lieu of taxes payable to local governments, as well as approximately $62 million in coal royalties, water rentals and provincial corporate capital tax payable directly to the Government of Saskatchewan. In addition, we collected $47 million in municipal surcharges for redistribution to 401 cities, towns and villages.

Our electricity rates and regulation

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel (SRRP) with final approval by cabinet. In February 2010, the Corporation submitted a rate application to the SRRP requesting a 7.0% system-wide average rate increase effective August 1, 2010.

In July of 2010, the SRRP completed its review of SaskPower's application and recommended that cabinet approve a 4.5% system-wide rate increase, 2.5% lower than SaskPower's initial request. The SRRP's recommendation to lower the rate increase was based on SaskPower's improved financial forecasts largely resulting from positive changes in fuel and purchased power costs.

Cabinet accepted the SRRP's recommendation and approved the rate increase effective August 1, 2010. SaskPower's previous rate increase was 8.5%, which became effective on June 1, 2009.

Our action plan

SaskPower's overall objective is to create and maintain a sustainable energy supply — one that balances economic, environmental and social requirements. Comprehensive and ongoing system planning is a critical foundation for not only the ongoing success of our company, but also the future prosperity of Saskatchewan.

There are two primary reasons SaskPower is facing a requirement for new electricity generation sources:

Load growth – SaskPower is committed to supplying uninterrupted electricity to the province of Saskatchewan, today and in the future. During the next decade, electrical demand is expected to increase by approximately 2.4% per year, which is materially higher than the 1.8% recorded growth in the previous 10-year period.

In order to keep pace with the province, we must examine a variety of supply options that include alternative power generation technologies and innovative conservation programs. SaskPower must also increase transmission and distribution grid capacity to accommodate future overall load growth and ensure continued reliability.

Aging infrastructure – Many of SaskPower's power plants are beginning to show their age and have been working at peak capacity for many years. Our company will have to rebuild or replace Saskatchewan's entire electricity generation system by 2033. As we revitalize this infrastructure, SaskPower will need to determine the appropriate supply mix by thoroughly analyzing a range of options, including imported power from partners and power generated by renewable fuel sources.

SaskPower's existing transmission and distribution infrastructure is also in need of renewal. Many of the lines are in excess of 40 years old and are approaching the end of their useful life. In addition, the current capacity requirements are exceeding the original design of many existing lines.

Our action plan is divided into three timeframes, and each has a specific objective:

Short term (2010 – 2015) — supply requirement of 1,037 MW
The short-term plan's objective is to meet Saskatchewan's energy needs and is designed to maintain the current electricity supply. It sets the stage for an increase in the power supply as outlined in the medium-term plan.

Highlights:

- Installing natural gas-fired turbines.
- Encouraging small-scale power production using renewable energy sources such as wind and biomass.
- Creating connections with neighbouring power utilities.
- Managing electricity use through conservation, efficiency, and load management programs (such as demand response).
- Pursuing new generation technologies.
- Investigating the potential to employ carbon capture technology to reduce emissions.
- Developing system enhancements that will ensure the integrity of generated power being transmitted over long distances.
- Increasing the transmission capacity between SaskPower and other power generation utilities.

Medium term (2016 – 2023) — supply requirement of 1,126 MW
The medium-term plan's objective is to increase the power supply to address projected demand through new generation facilities, partnerships with neighbouring utilities and the refurbishment of existing generation plants.

Highlights:

- Investigating electricity storage and smart grid technology.
- Strengthening connections with neighbouring power utilities.
- Managing electricity use through conservation, efficiency, and load management programs (such as demand response).
- Partnering with First Nations and IPPs.
- Evaluating numerous supply options, including renewable fuel power generation opportunities.
- Continuing to increase the transmission capacity between SaskPower and other power generation utilities.

Long term (2024 – 2033) — supply requirement of 1,592 MW
The long-term plan's objective is to supply reliable, sustainable and affordable electricity while meeting or exceeding clean air legislative requirements and regulations.

Highlights:

- Managing electricity use through conservation, efficiency, and load management programs (such as demand response).
- Evaluating numerous supply options, including renewables and emissions-reduction technologies.

2010 financial results

(in millions)	**2010**	2009	Change
Revenue			
Saskatchewan electricity sales	**$ 1,575**	$ 1,447	$ 128
Exports	**12**	12	–
Gross margin from electricity trading	**1**	7	(6)
Other revenue	**163**	80	83
Total revenue	**1,751**	1,546	205
Expense			
Fuel and purchased power	**511**	499	12
Operating, maintenance and administration	**641**	523	118
Depreciation and amortization	**258**	233	25
Finance charges	**139**	149	(10)
Taxes	**42**	39	3
Total expense	**1,591**	1,443	148
Net income	**$ 160**	$ 103	$ 57
Unrealized market value adjustments	**19**	(7)	26
Operating income[1]	**$ 179**	$ 96	$ 83
Return on equity[2]	**9.3%**	6.5%	2.8%
Operating return on equity[3]	**10.4%**	6.1%	4.3%

1. Operating income is a non-GAAP measure, whose nearest GAAP measure is net income. This non-GAAP measure provides management and shareholders with measurements of operating performance which is readily comparable from period to period. Refer to the non-GAAP measures section on page 64 for further discussion.

2. Return on equity = (net income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)]/2.

3. Operating return on equity = (operating income)/(average equity).

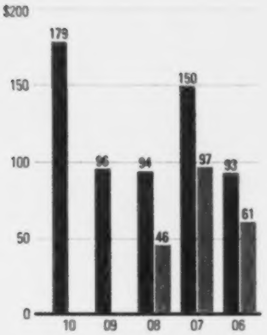
The primary factors contributing to the change in operating income for the year ending December 31, 2010, are presented below:

Explanation of change (in millions)	**Increase/ (decrease)**
Operating income, for the year ending December 31, 2009	**$ 96**
Increase in Saskatchewan electricity sales as a result of rate increases and increased demand	**128**
Net fuel and purchased power costs down due to lower natural gas prices and increased hydro generation	**17**
OM&A costs up due to increased pension, salaries and benefits and external service expenses	**(36)**
Depreciation expense higher as a result of capital program	**(25)**
Electricity trading profits down due to stability of supply in other jurisdictions	**(3)**
Increase in other costs	**2**
Operating income, for the year ending December 31, 2010	**$ 179**

HIGHLIGHTS AND SUMMARY OF RESULTS

SaskPower's consolidated operating income, net of unrealized market value adjustments, was $179 million in 2010, an increase of $83 million from 2009. The increase in operating income was due to higher Saskatchewan electricity sales as the result of rate increases and higher sales volumes. The operating return on equity was 10.4%, up 4.3 percentage points from the previous year.

Total revenue increased $205 million due to a $128 million increase in Saskatchewan electricity sales and an $83 million increase in other revenue. Saskatchewan electricity sales increased due to both the 4.5% system-wide average rate increase that became effective August 1, 2010, and the 8.5% system-wide average rate increase that became effective June 1, 2009. Electricity sales volumes were also up 853 gigawatt hours (GWh) over the prior year. Other revenue rose primarily due to an increase in integrated carbon capture and storage (ICCS) grant funding. This increase in funding is completely offset by additional ICCS spending, which is recorded in operating, maintenance and administration (OM&A) expense.



OPERATING INCOME AND DIVIDENDS (millions)

■ OPERATING INCOME
■ DIVIDENDS

Since 2008, SaskPower has not paid any dividends as all earnings have been reinvested in the Corporation's capital program.

The increase in these revenue sources was partially offset by a $6 million decrease in the gross margin from electricity trading over the prior year.

Total expense increased $148 million compared to 2009. This was due to a $118 million increase in OM&A costs as the result of increased ICCS spending; additional pension expense; rising costs for salaries, wages and benefits; and higher external service costs.

Total fuel and purchased power costs were up $12 million compared to 2009. The Corporation experienced a $17 million improvement in fuel and purchased power costs as a result of the decline in natural gas prices and a favourable change in the fuel mix offset by higher generation volumes. This improvement was more than offset by a $29 million change in the market value of the Corporation's outstanding natural gas contracts.

Depreciation expense increased $25 million compared to 2009 as a result of significant investments in the Corporation's property, plant and equipment. Finance charges decreased $10 million compared to 2009 due to an improvement in the earnings and market value of the debt retirement funds. Taxes were up $3 million due to an increase in corporate capital tax as a result of the growth in the Corporation's capital base.

The Corporation reported $19 million of unrealized market value net losses in 2010 compared to $7 million of net gains in 2009. The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; electricity trading contracts; and debt retirement funds at year-end. These amounts are excluded from the calculation of operating income.

In 2010, SaskPower did not declare any dividends payable to CIC consistent with the prior year. CIC determined that the Corporation would not be required to pay any dividends in 2010 due to SaskPower's requirement for significant capital investments.

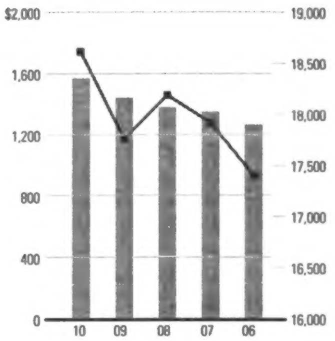
Revenue

A. Saskatchewan electricity sales

(in millions)	2010	2009	Change
Saskatchewan electricity sales	**$ 1,575**	$ 1,447	$ 128

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the province. These sales are subject to the effects of general economic conditions, number of customers, weather and electrical rates. Saskatchewan electricity sales were $1,575 million in 2010, up $128 million from 2009.

The increase in revenue was due to a system-wide average rate increase of 4.5% that become effective August 1, 2010, and the system-wide average rate increase of 8.5% that became effective on June 1, 2009. In addition, electricity sales volumes to Saskatchewan customers of 18,618 GWh were up 853 GWh or 5% from the previous year. The rise in sales volumes was driven by the power customer class, which showed an increase of 793 GWh or 13% in 2010 compared to 2009. This was primarily due to the return of industrial load that had dropped off with the economic downturn of 2009. All other rate classes remained consistent with the prior year.



SASKATCHEWAN ELECTRICITY SALES

■ ELECTRICITY SALES (MILLIONS) —■— ELECTRICITY SALES (GWH)

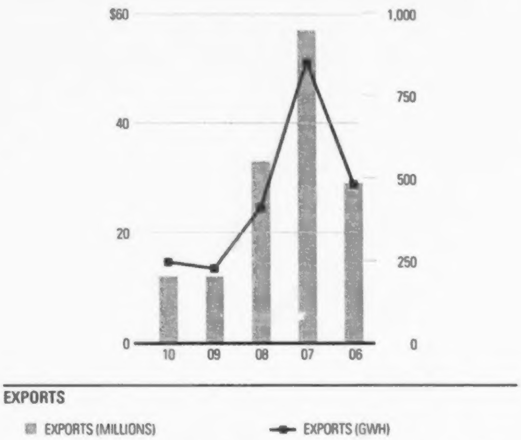
Saskatchewan electricity sales were up $128 million or 9% compared to 2009, due to the system-wide average rate increases. Sales volumes also rose 853 GWh, or 5% over the same period.

B. Exports

(in millions)	2010	2009	Change
Exports	**$ 12**	$ 12	$ –

Exports represent the sale of SaskPower's surplus generation to other regions in Canada and the United States. The bulk of SaskPower's exports are made to the neighbouring Alberta and Midwest Independent Transmission System Operator (MISO) markets. Export pricing is not subject to the rate review process but is determined based on market conditions in other jurisdictions. Export sales volumes are dependent on the availability of surplus SaskPower generation, market conditions in other jurisdictions, and transmission availability.

Exports were $12 million in 2010, which is consistent with the prior year. Overall in 2010, the Corporation experienced slightly higher sales volumes offset by a decline in the average export price. Export sales volumes increased 20 GWh compared to 2009.
The average export sales price of approximately $49/megawatt hour (MWh) was down $7/MWh from 2009.



Exports remained at historically low levels in 2010 due to continued market stability in other jurisdictions, including Alberta.

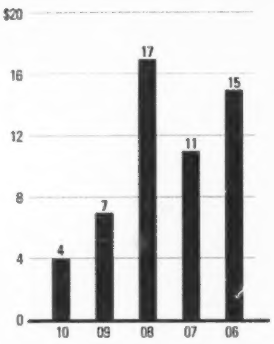
C. Gross margin from electricity trading

(in millions)	2010	2009	Change
Electricity trading revenue	$ 42	$ 74	$ (32)
Electricity trading costs	(38)	(67)	29
Net sales from electricity trading	$ 4	$ 7	$ (3)
Unrealized electricity trading market value losses	(3)	–	(3)
Gross margin from electricity trading	$ 1	$ 7	$ (6)

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint, include the purchase and resale of electricity and other electricity-related commodities and derivatives in regions outside Saskatchewan. The trading activities include both real time as well as short- to long-term physical and financial trades in the North American market. The trading activities are intended to deliver positive gross margins to SaskPower's bottom line while operating within an acceptable level of risk.

Electricity trading revenue was $42 million in 2010, down $32 million from 2009. The decline in revenue was due to reduced volumes offset by an increase in the average sales price. Trading volumes decreased 848 GWh as a result of minimal volatility in external electricity markets which reduced trading opportunities. The average electricity trading sales price was approximately $51/MWh, up $9/MWh from the same period in 2009. However, as a result of the decrease in revenue, the net sales from electricity trading was $4 million compared to $7 million in 2009.

Unrealized market value losses related to the Corporation's outstanding electricity trading contracts at December 31, 2010, were $3 million. The overall impact was a $6 million reduction in the gross margin from electricity trading.



NET SALES FROM ELECTRICTY TRADING (millions)

The net sales from electricity trading declined in 2010 primarily due to reduced opportunities in external electricity markets.

D. Other revenue

(in millions)	2010	2009	Change
Net other revenue	$ 53	$ 52	$ 1
Grant funding for ICCS project	110	28	82
Other revenue	$ 163	$ 80	$ 83

Other revenue includes various non-electricity products and services. Other revenue increased $83 million to $163 million in 2010. The increase was primarily due to additional grant revenue provided by the federal government as funding for SaskPower's ICCS initiative. Total grant revenue received for the ICCS project was $110 million in 2010, an $82 million increase over 2009. The funding for the ICCS initiative is completely offset by an increase in OM&A expense.

Expense

A. Fuel and purchased power

(in millions)	2010	2009	Change
Net fuel and purchased power	**$ 492**	$ 509	$ (17)
Unrealized natural gas market value losses (gains)	**19**	(10)	29
Fuel and purchased power	**$ 511**	$ 499	$ 12

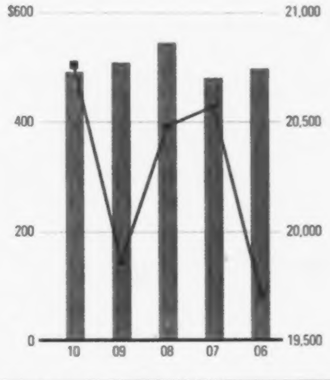
SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, energy purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve our company's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have a low incremental cost per unit of generation. Hydro generation is dependent upon water levels and river flow at SaskPower's hydro facilities and coal generation is a product of the availability of our coal plants. Wind generation, the lowest incremental cost source of electricity, cannot be dispatched on a planned basis as it is dependent upon wind conditions.

Net fuel and purchased power costs, excluding unrealized market value adjustments, were $492 million in 2010, compared to $509 million in 2009. The $17 million decrease was largely due to a decline in natural gas prices and a favourable change in the fuel mix offset by higher generation volumes.

SaskPower's average natural gas prices, which include the realized impact of the Corporation's hedging program, decreased approximately $1.87 per gigajoule (GJ) in 2010 compared to 2009. This decline in natural gas price was partially offset by higher average costs for coal as a result of contracted price adjustments which are driven in part by changes in various price indexes. The net impact of the decline in fuel prices was an estimated $40 million decrease in net fuel and purchased power costs in 2010.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. During 2010, the Corporation's hydro facilities accounted for 19% of total generation compared to 15% during 2009. However, over the same period, coal generation declined from 62% to 58% of total generation. The net impact was an estimated $2 million decline in fuel and purchased power costs in 2010.



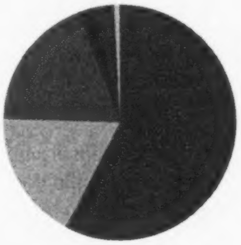
NET FUEL AND PURCHASED POWER

■ NET FUEL AND PURCHASED POWER (MILLIONS)
-■- GROSS ELECTRICITY SUPPLIED (GWH)

Net fuel and purchased power costs decreased in 2010 as a result of favourable changes in the price and fuel mix variances offset by higher generation volumes.

2010 NET FUEL AND PURCHASED POWER – $492 million

■ COAL 43%
▨ GAS 47%
■ HYDRO 3%
■ WIND 1%
■ IMPORTS 4%
▨ OTHER 2%



2010 GROSS ELECTRICITY SUPPLIED – 20,759 GWh

■ COAL 58%
▨ GAS 18%
■ HYDRO 19%
■ WIND 2%
■ IMPORTS 2%
▨ OTHER 1%

Coal and hydro represent 46% of the net fuel and purchased power costs for 2010 while providing 77% of electrical requirements.

Total generation and purchased power was 20,759 GWh in 2010, an increase of 895 GWh over the prior year. The additional generation was required to source the increase in domestic demand. The higher demand resulted in an estimated $25 million increase in fuel and purchased power costs in 2010.

The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas contracts during the year. As of December 31, 2010, SaskPower has outstanding natural gas hedges of approximately 20 million notional GJs which will fix the price of natural gas on a portion of the Corporation's anticipated natural gas needs for 2011 through to 2015. The unrealized market value losses on these outstanding natural gas contracts were $19 million in 2010. The losses are the result of the forward price of natural gas being lower than the hedged price. The unrealized losses are subject to volatility based on movements in the forward price of natural gas.

Including unrealized market value adjustments, there was a $12 million increase in fuel and purchased power costs in 2010.

B. Operating, maintenance and administration (OM&A)

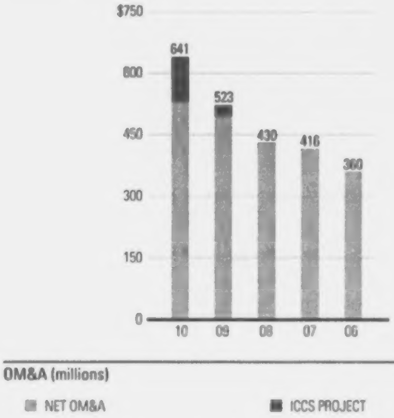
(in millions)	**2010**	2009	Change
Net OM&A	**$ 531**	$ 495	$ 36
ICCS project	**110**	28	82
OM&A	**$ 641**	$ 523	$ 118

Net OM&A expense, which excludes the costs relating to the ICCS project, was $531 million in 2010, compared to $495 million in 2009. The $36 million increase was largely the result of additional pension expense; rising costs for salaries, wages and benefits; and higher external service costs.

Pension expense was up $17 million from 2009 largely as a result of the amortization of prior period actuarial losses in the current year. The actuarial losses are the result of lower than expected returns on the plan's assets and decreases in the discount rate used to calculate the plan's obligation.

Salaries, wages and benefits increased $6 million, primarily as a result of general economic and merit increases and overall staff increases to address additional work load and new initiatives.

Finally, SaskPower experienced an $11 million increase in external services related to information technology and Service Delivery Renewal process re-engineering activities and a $2 million increase in materials, supplies and other OM&A costs.



OM&A (millions)

Net OM&A expense, which excludes the costs relating to the ICCS project, increased $36 million in 2010 due to additional pension expense; rising costs for salaries, wages and benefits; and higher external service costs

Spending on the ICCS initiative was $110 million in 2010, up $82 million from 2009, as the Corporation continued its efforts to develop a commercially feasible ICCS generation facility. The expenditures on the ICCS initiative are completely offset by funding from the federal government, which is recorded in other revenue.

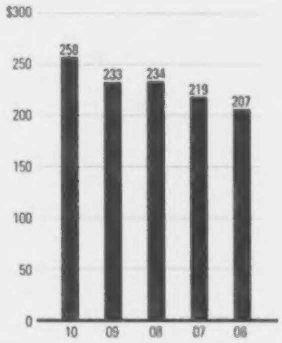
Including ICCS project costs, there was a $118 million increase in OM&A expense in 2010.

C. Depreciation and amortization

(in millions)	2010	2009	Change
Depreciation and amortization	**$ 258**	$ 233	$ 25

Depreciation represents a charge to income for the capital expenditures of SaskPower. The capital expenditures are amortized to income on a straight-line basis over the estimated useful life of the related asset. Depreciation rates are established based on periodic depreciation studies.

Depreciation expense was $258 million in 2010, up $25 million from 2009. The rise in depreciation expense was primarily attributable to growth in SaskPower's property, plant and equipment as a result of ongoing capital expenditures.



DEPRECIATION AND AMORTIZATION (millions)

Depreciation costs increased as SaskPower continues to add to its capital asset base.

D. Finance charges

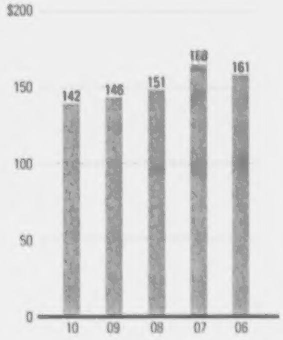
(in millions)	2010	2009	Change
Net finance charges	**$ 142**	$ 146	$ (4)
Unrealized debt retirement fund market value (gains) losses	**(3)**	3	(6)
Finance charges	**$ 139**	$ 149	$ (10)

Finance charges include the net amount of interest on recourse and non-recourse debt; interest capitalized; debt retirement fund earnings; interest income; foreign exchange gains/losses; and changes in the market value of the debt retirement funds.

Net finance charges were $142 million in 2010, down $4 million from 2009. The decrease was attributable to a $5 million improvement in debt retirement fund earnings, offset by $1 million of additional interest expense incurred during the year.

The Corporation recorded $3 million in unrealized market value gains related to its debt retirement funds representing a $6 million improvement compared to the prior year.

Overall, including unrealized market value adjustments, the net impact was a $10 million decrease in finance charges relative to 2009.



NET FINANCE CHARGES (millions)

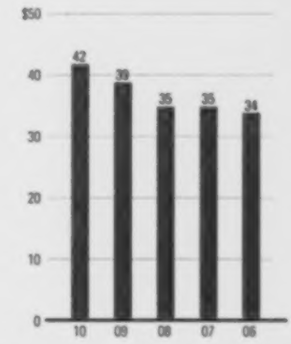
Net finance charges fell in 2010 due to improved debt retirement fund earnings.

E. Taxes

(in millions)	2010	2009	Change
Taxes	**$ 42**	$ 39	$ 3

Taxes represent the payment of corporate capital tax to the Government of Saskatchewan and grants-in-lieu of taxes paid to 13 cities in Saskatchewan.

Taxes were up $3 million in 2010 compared to 2009 due to a $2 million increase in the corporate capital tax as a result of the growth in the Corporation's capital base. There was also a $1 million increase in grants-in-lieu of taxes as a result of rising Saskatchewan electricity sales.



TAXES (millions)

Tax levels increased due to growth in the capital tax base and Saskatchewan electricity sales in 2010.

2010 quarterly results

The following chart outlines the quarterly operating results of SaskPower in 2010:

(in millions)	Q1	Q2	Q3	Q4	Total
Revenue					
Saskatchewan electricity sales	$ 410	$ 366	$ 379	$ 420	**$ 1,575**
Exports	–	3	5	4	**12**
Gross margin from electricity trading	–	–	1	–	**1**
Other revenue	32	35	30	66	**163**
Total revenue	442	404	415	490	**1,751**
Expense					
Fuel and purchased power	160	106	119	126	**511**
Operating, maintenance and administration	141	163	152	185	**641**
Depreciation, finance charges and taxes	111	105	102	121	**439**
Total expense	412	374	373	432	**1,591**
Net income	$ 30	$ 30	$ 42	$ 58	**$ 160**
Unrealized market value adjustments	29	(14)	4	–	**19**
Operating income	$ 59	$ 16	$ 46	$ 58	**$ 179**

SaskPower's Saskatchewan electricity sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

The Corporation reported strong operating income results in the first, second and fourth quarters of 2010 as a result of high electricity sales and relatively low fuel and purchased power costs. The second quarter operating income of $16 million was down from the first quarter as electricity demand declined and OM&A expense increased. The improvement in the second half of 2010 was largely attributable to the 4.5% system-wide average rate increase implemented on August 1, 2010.

Financial condition

The following table outlines changes in the consolidated balance sheet from December 31, 2009, to December 31, 2010:

(in millions)	Increase/ (decrease)	Explanation of change
Accounts receivable and unbilled revenue	$ 8	Higher sales in December 2010 relative to December 2009.
Inventory	(3)	Decrease in maintenance supplies offset by decrease in allowance for obsolescence.
Prepaid expenses	1	Timing of payments.
Property, plant and equipment (net)	277	Capital additions offset by depreciation expense and asset retirements.
Intangible assets	(1)	Software additions offset by depreciation expense and asset retirements.
Debt retirement funds	45	Instalments and earnings plus market value adjustments.
Equity investments	2	Equity investment income net of distributions.
Other assets	(10)	Lower defined benefit plan asset.
Bank indebtedness	3	Refer to Consolidated Statement of Cash Flows.
Accounts payable and accrued liabilities	7	Timing of payments.
Accrued interest	1	Increase in long-term debt.
Risk management liabilities (net of risk management assets)	22	Decline in the forward price of natural gas relative to the hedged price.
Short-term advances	(113)	Repayment of short-term advances.
Long-term debt (including current portion)	211	Proceeds from long-term borrowing offset by non-recourse debt repayments and debt premium amortization.
Employee future benefits	20	Increase in the defined benefit pension plan obligation and other benefit plans liabilities.
Other liabilities	8	Increase in asset retirement obligations offset by environmental remediation expenditures.
Equity	160	2010 net income.

Liquidity and capital resources

SaskPower raises most of its capital through internal operating activities and through borrowings obtained from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows our company to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides SaskPower with the authority to have outstanding borrowings of up to $5 billion. This includes $1.4 billion which may be borrowed by way of temporary loans through the Government of Saskatchewan and through available credit of $51 million at financial institutions.

The other major sources of financing utilized by our company include non-recourse debt that was issued in 2001 to finance SaskPower's share of the Cory Cogeneration Station and $660 million in equity advances that were provided by CIC over the period of 1989–1992 to form CIC's equity capitalization in SaskPower.

CASH FLOW HIGHLIGHTS

(in millions)	2010	2009	Change
Bank indebtedness	**$ 5**	$ 2	$ 3

The Corporation's cash position decreased $3 million during 2010. The $3 million decrease in the cash position was the result of $441 million provided by operating activities and $74 million provided by financing activities, offset by $518 million used in investing activities.

A. Operating activities

(in millions)	2010	2009	Change
Cash provided by operating activities	**$ 441**	$ 342	$ 99

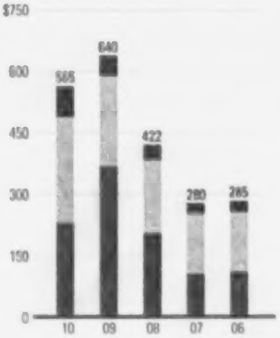
Cash provided by operating activities was up $99 million in 2010 compared to 2009. The $99 million increase was the result of the growth in net income as a result of higher Saskatchewan electricity sales.

B. Investing activities

(in millions)	2010	2009	Change
Generation	**$ 233**	$ 369	$ (136)
Transmission and distribution	**256**	221	35
Other	**76**	50	26
Total capital expenditures	**565**	640	(75)
Customer contributions, net cost of removal	**(43)**	(54)	11
Equity investment distributions	**(4)**	(4)	–
Cash used in investing activities	**$ 518**	$ 582	$ (64)

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower spent $565 million on various capital projects during 2010, compared to $640 million in 2009. The Corporation's capital was invested in the following areas during the year:

- $113 million on commissioning the new simple cycle natural gas turbine facility, the Yellowhead Power Station, located in North Battleford.
- $120 million on renewing other generation assets, including the Boundary Dam Power Station:
  - $20 million on Unit #6 refurbishment.
  - $6 million on Unit #3 refurbishment.
  - $9 million on the spillway.



CAPITAL EXPENDITURES (millions)

■ GENERATION
■ OTHER
▨ TRANSMISSION AND DISTRIBUTION

SaskPower has invested $2.2 billion in its capital infrastructure over the last five years.

- $256 million on transmission and distribution assets, including $108 million to connect customers to the SaskPower electric system; and $148 million on sustaining infrastructure, including $29 million to build a switching station and transmission line from the Poplar River Power Station to the Pasqua Switching Station near Moose Jaw; as well as $9 million to replace aging wood poles.
- $76 million on other capital assets, including the natural gas pipeline interconnection for the Spy Hill Power Facility, vehicles, equipment and computer information and technology assets.

Also included in the cash flow used in investing activities were the following:

- Total customer contributions, net of cost of removal, were $43 million, down $11 million from 2009. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The cost of removal represents the cash paid or received upon normal disposal of an asset.
- In 2010, SaskPower received $4 million in cash distributions from its equity investment in the MRM Cogeneration Station, consistent with 2009.

C. Financing activities

(in millions)	2010	2009	Change
Net proceeds from new borrowings	$ 99	$ 265	$ (166)
Debt retirement fund instalments	(25)	(25)	–
Dividends paid	–	(8)	8
Cash provided by financing activities	$ 74	$ 232	$ (158)

In 2010, $74 million of cash was provided by financing activities, compared to $232 million in 2009. The $74 million inflow of cash was made up of $99 million in net proceeds from new borrowings offset by $25 million in debt retirement fund instalments.

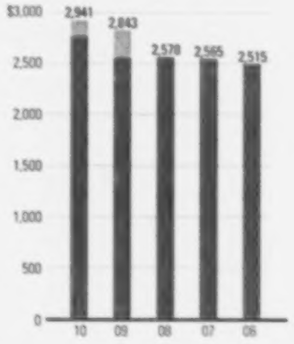
Gross long-term debt and short-term advances

(in millions)	2010	2009	Change
Gross long-term debt	$ 2,782	$ 2,571	$ 211
Short-term advances	159	272	(113)
Total	$ 2,941	$ 2,843	$ 98
Per cent debt ratio[1]	59.7%	61.4%	(1.7%)

1. Per cent debt ratio = (debt)/(debt + equity), where debt = (gross long-term debt + short-term advances + bank indebtedness – debt retirement funds – cash and cash equivalents).

SaskPower's total debt position was $2,941 million at December 31, 2010, up $98 million from December 31, 2009. The rise in gross debt was the result of the following:

- On September 8, 2010, the Corporation, through the Government of Saskatchewan Ministry of Finance's General Revenue Fund, borrowed $200 million of long-term debt at a premium of $16 million. The debt issue has a coupon rate of 4.75%, an effective interest rate of 4.27% and matures on June 1, 2040.
- The proceeds from the long-term borrowing were offset by the repayment of $113 million of short-term financing and a $4 million repayment of long-term non-recourse debt in 2010.



GROSS LONG-TERM DEBT AND SHORT-TERM ADVANCES (millions)

■ GROSS LONG-TERM DEBT ▨ SHORT-TERM ADVANCES

Debt levels have been increasing to finance capital expenditures.

- The Corporation also recorded $1 million of amortization expense related to its debt premiums, which is included in interest expense.

Despite the increase in gross debt, the Corporation's per cent debt ratio has decreased slightly from 61.4% at the end of 2009 to 59.7% at December 31, 2010, due to the growth in the debt retirement fund balance and increase in equity as a result of $160 million in net income.

Debt retirement fund instalments

(in millions)	**2010**	2009	Change
Debt retirement fund instalments	**$ 25**	$ 25	$ –

Debt retirement funds are monies set aside to retire outstanding long-term debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Government of Saskatchewan's General Revenue Fund.

SaskPower made $25 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Government of Saskatchewan's General Revenue Fund. SaskPower also earned $20 million, including market value adjustments (classified as non-cash operating activities), on the debt retirement funds during the year.

Dividends

SaskPower traditionally pays dividends to CIC based on the CIC Dividend Policy. CIC determined that the Corporation would not be required to pay dividends in 2010 due to SaskPower's significant planned investments in property, plant and equipment.

Contractual obligations

SaskPower had the following significant long-term contractual obligations as at December 31, 2010, which will impact cash flows in 2011 and beyond.

(in millions)	**2011**	**2012**	**2013 – 2015**	**2016 and beyond**	**Total**
Long-term debt (including principal and interest)	$ 135	$ 183	$ 630	$ 5,108	**$ 6,056**
Debt retirement fund instalments	27	27	79	425	**558**
Power purchase agreements	196	241	1,261	9,994	**11,692**

SaskPower's financing requirements for 2011 will include $4 million of non-recourse debt repayment, $131 million in interest payments, $27 million of required debt retirement fund instalments, and $196 million in minimum payments under existing power purchase agreements. SaskPower evaluates the need for additional borrowings throughout the year.

Outlook

SaskPower expects to earn $119 million in operating income for 2011, resulting in an operating return on equity of 6.7%. Earnings are expected to decrease as a result of higher expenses during the upcoming year. The largest increases will be in fuel and purchased power costs; OM&A expense; depreciation; and finance charges. Fuel and purchased power costs are expected to increase due to higher generation volumes and an unfavourable change in the fuel mix. OM&A expense is expected to be higher due to increased spending on Demand Side Management (DSM) initiatives; rising wages and benefits; and increased maintenance activity. Depreciation and finance charges are expected to increase due to the level of capital investment in 2010 and 2011.

These increases in expense are expected to be partially offset by higher Saskatchewan sales due to an increase in domestic demand, as well as the system-wide average rate increase which took effect on August 1, 2010.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

SaskPower also expects to continue to make substantial investments in its infrastructure, totalling nearly $10 billion over the next 10 years. Capital expenditures in 2011 are forecast to be approximately $1,055 million. This includes costs for the Boundary Dam Power Station Unit #3 refurbishment; maintaining and refurbishing the existing fleet; upgrading various transformers and transmission lines; and connecting new customers to SaskPower's grid.

SaskPower subsidiaries

SaskPower has three wholly-owned subsidiaries: NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (SaskPower Shand Greenhouse) and SaskPower International Inc. (SaskPower International). The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of SaskPower in accordance with Canadian GAAP. Separate financial statements are prepared and issued for NorthPoint and SaskPower Shand Greenhouse.

SaskPower International has no active operations beyond its joint venture interests in the Cory Cogeneration Station and the Cory Cogeneration Funding Corporation and its investment in the MRM Cogeneration Station over which it exerts significant influence.

Northpoint

(in millions)	2010	2009	Change
Revenue	$ 42	$ 78	$ (36)
Expense	(43)	(74)	31
Net (loss) income	**$ (1)**	$ 4	$ (5)
Unrealized market value adjustments	3	–	3
Operating income	**$ 2**	$ 4	$ (2)

NorthPoint is a wholly-owned subsidiary of SaskPower. It was formed in late 2001 to meet requirements associated with SaskPower's OATT that mandates the separation of transmission and wholesale marketing functions.

NorthPoint has a service agreement with SaskPower to perform generation and load management services, provide electricity export and import functions related to the generation assets of SaskPower, and manage SaskPower's natural gas supplies for its natural gas-fired power plants.

NorthPoint also acts as a principal in wholesale electricity trading transactions that do not relate to the generation assets of SaskPower. In Canada, it operates in Alberta, Manitoba and Ontario. In the United States, it actively participates in markets in the Northwest, Mid-continent, and Northeast. NorthPoint operates mainly under two umbrella trading agreements: Mid-Continent Energy Marketers Association Tariff and Western Systems Power Pool Agreement.

In 2010, NorthPoint reported operating income of $2 million compared to $4 million in 2009. The $2 million decrease in operating income is primarily due to a decline in the net sales from electricity trading activities. Net sales from electricity trading activities were $4 million in 2010, down $3 million from 2009. The decline in net sales was due to an 848 GWh decrease in trading volumes as a result of minimal volatility in external electricity markets. The most significant declines in volume occurred in the Alberta and MISO markets.

SaskPower Shand Greenhouse

The mandate of SaskPower Shand Greenhouse is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. SaskPower Shand Greenhouse has entered into an agreement with SaskPower, whereby it operates the greenhouse and in turn SaskPower funds the SaskPower Shand Greenhouse for costs incurred. The annual operating costs of the SaskPower Shand Greenhouse are approximately $0.8 million.

Off-balance sheet arrangements

The Canadian Institute of Chartered Accountants (CICA) recommends that corporations disclose all off-balance sheet arrangements if they have or are likely to have a material current or future effect on a corporation's financial condition. SaskPower has the following off-balance sheet arrangements that are considered to be significant.

Employee future benefits

SaskPower provides pension plans for all eligible employees, including a defined benefit pension plan, defined contribution pension plan and other severance plans. The funded status (the difference between the plan assets and accrued benefit obligations) of SaskPower's employee future benefit plans is not fully recognized on the balance sheet as at December 31, 2010. Under Canadian GAAP, only disclosure of the funded status in the notes to the financial statements is required. In addition, using a measurement date up to three months prior to the balance sheet date is permitted. The measurement date of the latest actuarial valuation used to determine the plan assets and obligations of the various plans was September 30, 2010.

The funded status of the defined benefit pension plan and the present value of the accrued benefits under the other benefit plans are disclosed in *Note 28* to the consolidated financial statements.

Energy performance contracts

Energy performance contracts are packages that provide energy savings to certain large commercial customers of SaskPower. The packages are comprehensive facility improvement programs that normally include the installation of new energy efficient equipment, which is intended to pay for itself through energy savings. SaskPower guarantees these energy savings. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings will be realized.

SaskPower has not recorded an asset or liability in respect of these contracts, as the promised energy savings were being realized on all energy performance contracts as of December 31, 2010. In the event that the energy savings were not being realized, SaskPower would be liable to the customer for the guaranteed savings. A payable to the customer and a receivable from the third party that provided an offsetting guarantee to SaskPower would be recorded on the statement of financial position.

The value of the guarantees is disclosed in *Note 24(c)* to the consolidated financial statements.

Power purchase agreements

The Corporation has entered into power purchase agreements that provide approximately 469 MW of generating capacity. SaskPower also recently negotiated three power purchase agreements for the Red Lily Wind Power LP wind generating facility; Spy Hill Power LP natural gas generating facility; and the North Battleford Power LP natural gas generating facility. The Red Lily and Spy Hill facilities are expected to become operational in 2011 with generating capacities of 27 MW and 86 MW, respectively. The 261-MW North Battleford facility will become operational in 2013. The total cost of all power purchase agreements is expected to be $11,692 million (2009 – $7,502 million) until 2036.

SaskPower has not recorded these agreements as a liability on its statement of financial position as they represent a commitment — not an obligation — under Canadian GAAP.

Information on power purchase agreements is disclosed in *Note 24(a)* to the consolidated financial statements.

Related party transactions

Included in other revenue is $110 million (2009 – $28 million) in federal government grants provided to the Corporation to fund SaskPower's ICCS project. In 2008, the federal government provided the Government of Saskatchewan's General Revenue Fund with $240 million to fund carbon capture and storage demonstration projects. These funds were subsequently transferred to CIC, which in turn reimburses SaskPower for eligible expenditures on the ICCS project.

SaskPower also has a number of routine transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. These transactions with related parties are settled at prevailing market prices under normal trade terms.

Related party transactions are disclosed in *Note 27* to the consolidated financial statements.

Analysis of critical accounting policies and estimates

SaskPower's significant accounting policies are described in *Note 2* to the consolidated financial statements. Some of these policies involve accounting estimates that require management to make particularly subjective or complex judgements about matters that are inherently uncertain. Different conditions or assumptions regarding the estimates could result in materially different results being reported. Management has discussed the development and selection of these critical accounting policies with the Board of Directors and the external auditors.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements.

Depreciation

Property, plant and equipment represent 86% of total assets recognized on SaskPower's balance sheet. Included in property, plant and equipment are the generation, transmission, distribution and other assets of SaskPower. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of the assets are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. The estimated useful lives are determined based upon manufacturer's guidance on asset life, SaskPower's past experience with similar assets, industry averages, and expectations about future events that could impact the life of the asset.

Effective January 1, 2010, following the completion of an internal depreciation study, the average estimated service lives of certain asset components were changed. The impact of the change in estimated service lives was a decrease in depreciation expense of approximately $4 million in 2010.

Subsequently in 2010, the Corporation hired an external consultant to undergo a formal depreciation study of the average estimated service lives of our asset components. The consultant's review is expected to be completed in early 2011, at which time the newly recommended service life estimates will be implemented. A one-year increase in the average estimated service life of each of the major asset categories of property, plant and equipment would result in a $14 million decrease to depreciation expense in the current year. Any change in estimates will be applied prospectively effective January 1, 2011. See *Note 2(h) and Note 7* in the consolidated financial statements for additional discussion of SaskPower's depreciation expense.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. SaskPower recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. SaskPower recognizes asset retirement obligations to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes asset retirement obligations for the decommissioning of assets containing polychlorinated biphenyls (PCBs) with amounts in excess of current environmental laws and regulations. The Corporation has not recognized an obligation for most of its transmission, distribution, and hydro generation assets as an estimate of their fair value cannot be determined. The Corporation expects to maintain and operate these assets indefinitely.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities, with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation.

A 0.5% increase in the credit-adjusted risk-free rate would result in a $7 million decrease to the asset retirement obligation and no material impact on depreciation expense in the current year.

In 2010, the Corporation revised its estimated timing for the removal and disposal of equipment containing PCBs in excess of current environmental laws and regulations. The change in estimate was applied prospectively effective June 30, 2010. This resulted in a $4 million increase in property, plant and equipment and other liabilities with a $2 million impact on depreciation expense in 2010. In addition, effective December 31, 2010, the Corporation established an asset retirement obligation for the newly commissioned Yellowhead Power Station. The Corporation also increased the provision for decommissioning the Cory Cogeneration Station and SaskPower's diesel sites based on revised estimates. This resulted in a $3 million increase to property, plant and equipment and other liabilities with no impact on deprecation expense in 2010. See *Note 2(k) and Note 18* in the consolidated financial statements for additional discussion of SaskPower's asset retirement obligations.

Employee future benefits

As explained in *Note 2(n)* and *Note 28* in the consolidated financial statements, SaskPower provides post retirement benefits to employees, including a defined benefit pension plan (the Plan). The Plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

The cost of pension benefits under the Plan are actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. Market rates are used to measure the accrued benefit obligation and fair value to measure the pension plan assets. The actual results over the short-term may differ greatly from the long-term assumptions. However, the use of long-term financial assumptions to calculate pension expense is considered appropriate due to the long-term financial commitment that a pension plan represents.

An independent actuary calculates defined benefit pension plan costs based on the long-term assumptions described above. In 2010, the actuary calculated pension expense of $53 million compared to $36 million in 2009. This is a non-cash item that is included in OM&A expense on the income statement.

Changes in the long-term assumptions, including the anticipated return on plan assets and the discount rates used in determining the benefit obligation and current period service costs, can have a significant impact on the pension costs of SaskPower. The expected rate of return on plan assets is based upon economic forecasts for the types of investments held by the Plan. The long-term rate of return on plan assets remained at 6.75%, consistent with the prior year. The discount rate is based on the spot yield for high-grade, long-term Canadian corporate bonds. The discount rate was decreased from 6.00% at the beginning of the year to 5.00% at the end of the year to reflect the change in bond markets over that period. A 0.5% increase in both the expected long-term rate of return on plan assets and the discount rate would result in a $29 million decrease in pension expense and a $29 million decrease in the employee future benefits liability recorded in the consolidated financial statements.

Revenue recognition

Electric revenues are billed on a systematic basis over a monthly or quarterly period for all SaskPower customer classes. At the end of each month, SaskPower makes an estimate of the electricity delivered to its customers since their last billing date. The estimated unbilled revenue is based on several factors, including estimated consumption by customer class, applicable customer rates and the number of days between the last billing date and the end of the period. As at December 31, 2010, total Saskatchewan electricity sales of $1,575 million included $70 million of estimated unbilled revenue.

Non-GAAP measures

The Corporation evaluates its performance using a variety of measures. Operating income is a non-GAAP measure which is not defined under GAAP. This measure should not be considered in isolation or as an alterative to or more meaningful than net income as determined in accordance with GAAP as an indicator of SaskPower's financial performance. This measure is not necessarily comparable to a similarly titled measure of another company.

SaskPower has changed its measurement of operating income for the period ending December 31, 2010. Previously, operating income only excluded unrealized market value adjustments on the Corporation's outstanding natural gas contracts. The revised measure excludes unrealized market value adjustments on all the Corporation's outstanding derivative and held-for-trading financial instruments including electricity trading contracts and debt retirement funds. Comparative figures have been restated.

Future accounting policy changes

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Public Sector Accounting Board have confirmed that government business enterprises such as SaskPower will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

In October 2010, the AcSB amended the introduction to Part I of the *CICA Handbook – Accounting* to require:

a) Qualifying entities with rate-regulated activities, investment companies and segregated accounts of life insurance enterprises to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012; and

b) Entities electing to defer the first-time adoption of IFRS to disclose that fact.

The AcSB reaffirmed its decision that the deferral should be limited to entities that have activities subject to cost-based regulation and that recognize regulatory assets and regulatory liabilities. SaskPower does not meet the definition of a rate-regulated entity as defined by the AcSB. As such, SaskPower is required to adopt IFRS effective January 1, 2011.

SaskPower is now well into the final phase of our IFRS conversion project. Position papers on issue-specific accounting differences between Canadian GAAP and IFRS have been finalized. Communication on the impact of IFRS has been ongoing with external stakeholders that include CIC, Saskatchewan Rate Review Panel and the Corporation's external auditors. In the fourth quarter of 2010, SaskPower obtained approval from the Board of Directors for major accounting policy decisions and the opening IFRS equity adjustments. Our first interim IFRS report for the period ending March 31, 2011, will be released prior to the end of May 2011. The expected IFRS impact on SaskPower's opening equity is described below.

Explanation of transition to IFRS

IFRS 1, *First-time Adoption of IFRS*, requires entities to prepare and present an opening balance sheet at the date of transition to IFRS. All adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings as of the date of transition — January 1, 2010 (Transition Date).

In general, IFRS requires an entity to comply with all of the accounting standards effective at the end of the first reporting period after adopting IFRS. This means restating accounting transactions as if the standards had been in place when the transactions occurred. The IFRS 1 exemptions give limited release from retrospectively applying the standards where the cost of complying with this requirement would be likely to exceed the benefits to users of financial statements.

To prepare the first interim consolidated financial statements for the period ending, March 31, 2011, in accordance with IFRS 1, the Corporation has chosen to apply the following mandatory exceptions and optional exemptions from full retrospective application of IFRS:

IFRS mandatory exceptions	
Significant estimates	An entity's estimates under IFRS at the Transition Date shall be consistent with estimates made at the same date under previous GAAP (after adjustments to reflect difference in accounting policies) unless there is objective evidence that those estimates were in error. All estimates should reflect conditions in effect at transition.

IFRS optional exemptions	
Deemed cost	IFRS 1 provides the option to measure an item of property, plant and equipment at the Transition Date at its fair value and use that fair value as its deemed cost at that date. The fair value then becomes the deemed cost, which is subject to subsequent amortization. The Corporation has elected to measure certain land and building assets at fair value at the Transition Date.
Leases	IFRS 1 provides the option to apply the transitional provisions in International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining Whether an Arrangement Contains a Lease*. The Corporation has elected to determine whether arrangements existing at the Transition Date contain a lease on the basis of facts and circumstances existing at the Transition Date. SaskPower is not required to reassess arrangements which were previously evaluated under Canadian GAAP.
Employee benefits	IFRS 1 provides the option to retrospectively apply the corridor approach under International Accounting Standards (IAS) 19, *Employee Benefits*, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the Transition Date. The Corporation has elected to recognize all cumulative actuarial gains and losses that exist at its Transition Date in opening retained earnings for all defined benefit pension plans. In addition, as permitted by IFRS 1, SaskPower has elected to disclose the amounts required by IAS 19, paragraph 120A(p), as the amounts are determined for each accounting period prospectively from the Transition Date.
Decommissioning liabilities included in the cost of property, plant and equipment	IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, requires specified changes in a decommissioning, restoration, or similar liability to be added or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. IFRS 1 provides the option to not comply with these requirements for changes in such liabilities that occurred before the Transition Date. The Corporation has elected to not comply with the requirements for changes in such liabilities that occurred before the Transition Date.
Transfers of assets from customers	A first-time adopter may apply the transitional provisions set out in IFRIC 18, *Transfers of Assets from Customers*. In addition, a first-time adopter may designate any date before the Transition Date to IFRS and apply IFRIC 18 to all transfers of assets from customers received at or after July 1, 2009. SaskPower has elected to apply IFRIC 18 retrospectively. On the Transition Date, all unamortized customer contribution balances will be recognized in opening retained earnings.

Estimated adjustments to equity on adoption of IFRS

The expected impact on SaskPower's equity as at January 1, 2010 (Transition Date) is presented below:

(in millions)	Notes	(Unaudited) 01-Jan-2010
Total equity under Canadian GAAP		**$ 1,632**
IFRS adjustments to equity:		
Recognition of customer contributions	(a)	322
Recognition of actuarial gains and losses on employee benefit plans	(b)	(185)
Recognition of finance lease obligations	(c)	(153)
Restatement of property, plant and equipment	(d)	(116)
Restatement of land and building assets to fair value at transition	(e)	57
Restatement of provisions	(f)	(7)
Recognition of onerous contract	(g)	(1)
Recognition of compensated absences	(h)	(1)
Restatement of associates and joint venture interests	(i)	9
Total IFRS adjustments		(75)
Total equity under IFRS		**$ 1,557**

(a) Recognition of customer contributions

Customer contributions are funds received from certain customers toward the costs of service extensions. Under Canadian GAAP, contributions in aid of construction are netted against property, plant and equipment and amortized over the estimated service life of the related asset. The amortization of these contributions is netted against depreciation expense. Under IFRS, these contributions will be recognized immediately in income as other revenue upon receipt.

Upon transition to IFRS, the Corporation will elect to recognize all unamortized customer contribution balances in opening retained earnings.

(b) Recognition of actuarial gains and losses on employee benefit plans

Under Canadian GAAP, the Corporation recognizes actuarial gains and losses in income over the average remaining service life of the employees in the Plan (the corridor approach). Under IFRS, SaskPower's accounting policy will be to recognize all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income in the period in which they arise.

At the Transition Date, SaskPower will elect to recognize all previously unrecognized cumulative actuarial gains and losses for all defined benefit plans in retained earnings. The pension expense recognized in operating, maintenance and administration expense will be recalculated based on the actuarial valuations obtained at each year-end.

(c) Recognition of finance lease obligations

Under IFRS, certain take-or-pay power purchase agreements which give the Corporation the exclusive right to use specific production assets have been determined to meet the definition of a lease. Lease treatment was not required under Canadian GAAP as the contracts were entered into prior to the effective date of the Canadian GAAP standard.

Upon transition to IFRS, the Corporation will elect to recognize finance leases for these arrangements on the basis of facts and circumstances existing at the Transition Date.

(d) Restatement of property, plant and equipment

Under Canadian GAAP, SaskPower's accounting policy is to capitalize costs including material, direct labour and overhead. Under IFRS, property, plant and equipment will be recorded at historical cost and include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets will include materials and direct labour.

On transition to IFRS, the Corporation will derecognize certain capitalized costs, including general and administrative overhead, which are not eligible to be capitalized under IFRS.

(e) Restatement of land and building assets to fair value at transition

Under Canadian GAAP, land and buildings assets are measured at historical cost. Under IFRS, these properties will continue to be measured on a cost basis. Upon transition to IFRS, SaskPower will elect to measure certain land and building assets at fair value.

(f) Restatement of provisions

Under Canadian GAAP, asset retirement obligations are recognized in respect of SaskPower's legal obligation to decommission its coal, natural gas, cogeneration and wind generation facilities. Under IFRS, a decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. The Corporation will recognize decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined.

On transition to IFRS, decommissioning obligations will be re-measured based on management's best estimate of future cash flows at the reporting date. Accordingly, the Corporation will elect to estimate the amount included in the cost of the related asset when the liability first arose by discounting the liability back to the commissioning date, and calculating the accumulated depreciation on that amount based on current depreciation rates.

Under Canadian GAAP, the Corporation recognizes environmental remediation provisions based on management's best estimate considering current environmental laws and regulations. Under IFRS, a provision for environmental remediation liabilities is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. Upon transition to IFRS, environmental remediation provisions will be re-measured at discounted amounts.

(g) Recognition of onerous contract

Under IFRS, a provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Under Canadian GAAP, no obligations are recognized for onerous contracts.

On transition to IFRS, the Corporation will recognize a provision for an onerous contract for which the expected benefits to be derived from the contract are lower than the unavoidable cost of meeting the obligations under the contract. A separate asset will also be recorded for subsequent reimbursements expected to be received.

(h) Recognition of compensated absences

Under IFRS, SaskPower will recognize an obligation for accumulating compensated absences (banked sick days). Under Canadian GAAP, no obligations are recognized for compensated absences.

On transition to IFRS, the Corporation will recognize an obligation for compensated absences based on the additional amount that the Corporation expects to pay as a result of the unused entitlement for sick leave that has accumulated at the end of the reporting period.

(i) Restatement of associates and joint venture interests

Under Canadian GAAP, SaskPower accounts for its joint venture interests in the Cory Cogeneration Station and Cory Cogeneration Funding Corporation (Cory) using the proportionate consolidation method. Under IFRS, SaskPower will account for its jointly controlled interest in Cory using the equity method.

Upon transition to IFRS, SaskPower will eliminate its proportionate consolidation entries with regards to the Cory joint ventures. In addition, SaskPower will recognize its share of the IFRS opening adjustments relating to its investment in Cory and the MRM Cogeneration Station.

Risk management

SaskPower is subject to numerous risks and uncertainties that could have adverse effects on the achievement of business objectives and the Corporation's financial and operating position. These risks are managed through an Enterprise Risk Management Program that endeavours to prudently balance business risks and returns. An enterprise-wide approach enables strategic, financial, operational, environmental, compliance and reputation risks to be managed and aligned with our strategic business objectives. While our philosophy is that risk management is the responsibility of all employees, specific responsibilities are described below.

The Board of Directors provides overall stewardship of the Corporation, establishes policies and procedures, defines acceptable risk tolerance, and receives an annual report of SaskPower's top risks. The report consists of a holistic view of the Corporation's top risks, how the magnitude and probability of the risks are assessed, who is responsible to manage these risks, and how these risks are mitigated. The report helps the Board of Directors fulfill its requirement to understand the key risks of the Corporation and to direct management to address any risk levels it believes are not reasonable. The Audit and Finance Committee of the Board of Directors annually reviews the Corporation's risk appetite and tolerances, its risk profile, and the sufficiency of the Enterprise Risk Management Program.

Our President and Chief Executive Officer has ultimate accountability for risk management and is supported by the executive and direct reports who provide senior management oversight of risk in our company.

The Executive Risk Management Committee (ERMC) is chaired by the Vice-president and Chief Financial Officer, Finance and Enterprise Risk Management, and is comprised of the Vice-president, Law, Land and Regulatory Affairs; Vice-president, Transmission and Distribution; Vice-president (Acting), Power Production; and President and CEO, NorthPoint. The ERMC provides guidance on the development of the Enterprise Risk Management Program and is responsible for reviewing, monitoring, and overseeing compliance with approved financial and commodity risk exposure management policies. In addition, the ERMC is responsible for ensuring that the Enterprise Risk Management Program is an integral part of our business strategy, planning and objective setting.

Experienced risk professionals are responsible for enterprise risk management reporting to the Board of Directors, Audit and Finance Committee, and ERMC; participating in risk identification, analysis and reporting of risks in major projects; analyzing commercial and environmental risk exposures in our assets and trading operations; as well as ensuring our daily market price exposure is kept within approved risk metrics, including value at risk (VaR) position limits, term limits, and market limits.

Major risk factors

The following is a summary of the top risks facing the Corporation and the mitigation activities that are in place to address these risks. These risks do not occur in isolation, but must be considered in conjunction with each other and in the context of the SaskPower organization.

1. **Uncertain operating context (political, regulatory, environmental)**

   SaskPower is subject to extensive federal, provincial and local government regulations, all of which are susceptible to change. Failure to comply with rules and regulations pertaining to air quality, water quality, waste management, natural resources and health and safety may give cause to a number of sanctions. These may include fines, penalties, administrative costs and even stop work orders. Compliance with new laws or the revision or reinterpretation of existing laws may require us to incur additional expenses.

   Environmental risks are those associated with changes in environmental regulations or exposures. New emission reduction objectives, which may affect the electric utilities sector, are being contemplated by governments in Canada and the United States. These changes to regulations may impact our earnings by imposing additional costs on the generation of electricity, such as emission caps, requiring additional capital investments in emission capture technologies, or requiring investment in offset credits. It is anticipated that these compliance costs will increase in the future due to increased political and public attention to environmental concerns.

   We manage these risks by working with governments, regulators, and other stakeholders to ensure regulatory compliance and resolve any issues that may arise. Management believes that the necessary approvals have been obtained and are maintained for our existing operations and that our business is conducted in accordance with applicable laws. Our Law, Land and Regulatory Affairs Department provides knowledgeable interpretations in this regard.

2. **Return on equity and rate increases**

SaskPower has a sustained target for annual return on equity (ROE) of 8.5%. The need for substantial investments in new infrastructure over the next 10 years will require rate increases to help meet that target while maintaining financial strength and capacity. The rates that SaskPower may charge its customers are subject to review by the SRRP with final approval by Cabinet. Based on current rates, the impact of a 1% differential between a requested rate increase and the approved rate is approximately $16 million per year and has a significant impact on financial results. Differences between a requested rate increase and the SRRP's recommendation can result from a number of factors, including different assumptions regarding electrical demand, fuel costs, operating expenditures and capital investments.

To the extent possible, we aim to mitigate this regulatory risk by ensuring prudent operating expenditures, clearly communicating the need for capital investments and seeking from the regulator clear policy direction on cost responsibility.

Other risk factors that impact the Corporation's ROE target include changes in general economic conditions, electrical demand, operating costs, interest rates, timing and extent of capital expenditures, results of financing efforts and exposure to credit and counterparty risk. To mitigate these factors, SaskPower maintains surveillance of events in its business environment and endeavours to anticipate any impacts on the Corporation. In addition, SaskPower has regularly reviewed Board-approved policies in place to limit exposure to these risks.

3. **Business renewal**

SaskPower has entered into a growth cycle with rapidly increasing load requirements resulting in increased capital, OM&A and labour budgets. This growth cycle is expected to last in excess of 10 years. SaskPower also has to meet other significant challenges, such as generating assets that are near or at the end of their projected life, an aging workforce with a large percentage being eligible for retirement over the next few years, and potential environmental regulatory legislation that may require changes in power generation technologies or limit generator options.

SaskPower understands that CIC, the SRRP, customers and other external stakeholders expect that we will take significant steps to prudently manage or reduce costs. Starting in 2010, SaskPower began a Business Renewal Program intended to increase efficiency and effectiveness and reduce costs in every aspect of its business. A short-term objective is to self-fund the initiative through immediate savings, and then save or avoid an additional $2 billion over 10 years. These savings opportunities will be presented in consultant reports early in 2011.

In addition, the Corporation continued its drive to increase efficiency in its customer service business through its Service Delivery Renewal (SDR) Program. This multi-year initiative involves a re-design of the processes used to serve customers, from the customer's initial contact with the Corporation through the life cycle of billing, dealing with complaints and queries, meter reading, and maintaining distribution infrastructure.

4. **Culture**

Corporate culture is the shared set of attitudes, beliefs, values and norms that is passed along among organizational members. Culture is created and maintained by leadership actions, operating systems and processes that influence employee and organizational behaviours. As SaskPower embraces the changes needed for a healthy future, its corporate culture will need to change. Care will be needed to ensure the better qualities of our culture are preserved and reinforced while new attributes are added.

Research shows that both cultural alignment and engagement have a proven relationship with an organization's financial performance. In order to assess the current culture, SaskPower completed an employee engagement survey in 2010. Overall results show a marked increase in engagement since the last survey was conducted in 2007. Drivers are grouped into six major categories, including: people, work/motivation, opportunities, quality of life/values, total rewards and procedures. All drivers saw growth and three drivers experienced double digit increases. In order to ensure that this positive trend continues, an engagement action plan has been identified which includes engaging senior managers and improving leadership skills. As well, 2010 saw our first complete cycle with our new performance management system. It is designed to ensure that individual employee contributions and efforts are tied to the achievement of specific SaskPower objectives.

5. **Workforce management**

Workforce management refers to all the activities needed to maintain a productive workforce. One of the workforce management risks is the potential for a business disruption as a result of labour action. A substantial portion of SaskPower's workforce is unionized. In 2010, SaskPower participated in the ongoing renegotiation of collective bargaining agreements with the International Brotherhood of Electrical Workers (IBEW), Local 2067, and Communications, Energy and Paperworkers (CEP), Local 649, which together represent the majority of our employees. We anticipate a satisfactory renewal of these labour agreements in 2011.

Another workforce management risk is reduced productivity or capacity to complete critical work caused by an inability to attract and retain key employees. At the end of 2010, more than 34% of our employees were eligible for retirement and by 2011 there may be more than 40% eligible to retire. Accordingly, our human resources success will be tied to our ability to attract and retain sufficient qualified staff to replace those retiring. This will be challenging as we expect the skilled labour market for our industry to be highly competitive in the future. In addition, many of our employees possess experience and skills that will also be highly sought after by other organizations both inside and outside the electricity sector.

In 2010, SaskPower continued to implement workforce management plans that are intended to meet current and future human sourcing needs. This campaign consists of four main activities:

1. Research current and future external labour market trends and developments.
2. Build strong sourcing relationships with external organizations to find qualified skill sets.
3. Ensure competitive pay and benefits to attract and retain suitable technical workers.
4. Closely monitor retirement, recruitment, and talent availability to stay ahead of SaskPower's needs.

6. Stakeholder engagement

SaskPower stakeholders are individuals, groups or communities who have an impact on our business, or who are affected by our activities, products or services. Strong stakeholder engagement can help an organization effectively make decisions or deal with adversity when significant change impacts the organization and its stakeholders. SaskPower interacts with a variety of stakeholders within the scope of our operations, including customers, business partners, employees, shareholders, governments, regulatory bodies, and competitors.

During 2010, SaskPower reviewed the group-level strategies for stakeholder dialogue with the ambition to strengthen ongoing discussion and to be more proactive. We continued to engage customers and stakeholders through the Crown and Central Agencies Committee of the Government of Saskatchewan Legislative Assembly. SaskPower appeared before the committee three times in 2009 and 2010 to present short-, medium- and long-term supply plans, which were endorsed by the committee. A province-wide advertising campaign promoted the supply plan, while SaskPower officials discussed the plan and address questions and concerns at 19 community meetings.

7. Infrastructure adequacy

Saskatchewan is experiencing a period of economic growth. In the next decade, load is expected to increase by approximately 40%, which will require the addition of new generation and transmission assets, increased use of partnerships, greater operational demands on existing infrastructure and other innovative ways to meet the electricity needed for the future. These activities are likely to be capital intensive and will contribute to higher operating and maintenance costs.

A large portion of the Corporation's critical assets are near or at the end of their expected service life. Aging assets are increasingly expensive to maintain and operate and may be less efficient than newer technologies.

Generation

Unplanned generation outages that are longer in duration, multiple unplanned generation outages or catastrophic outages could have large economic risks and may result in SaskPower's inability to serve Saskatchewan's domestic load.

We manage our generation equipment and technology risk by:

- operating our generating facilities within operating standards that are designed to maximize their output and asset life;
- adhering to a comprehensive plant maintenance program and regular turnaround schedules appropriate for the equipment type and age;
- monitoring technological advances and evaluating their impact upon our existing generating fleet and related maintenance programs;
- negotiating strategic service agreements with selected vendors to ensure resource availability for major overhauls; and
- entering into long-term arrangements with our strategic supply partners to ensure availability of critical spare parts.

Transmission and distribution

The transmission and distribution circuits that carry electricity from our generators to our customers are not unlimited in their carrying capacity and are subject to aging, fatigue and weathering. The transmission and distribution system requires continuous maintenance if it is to provide reliable service. In addition, economic growth in the province means the system also requires upgrades to existing capacity and expansion to address the increase in load. Failure to maintain the system or expand it when needed may result in outages and poorer quality power.

In 2010, SaskPower's Transmission and Distribution Business Unit continued to develop its Asset Management and Field Services Group to manage these risks and committed significant resources to the following activities:

- Connection of new electrical services in the SaskPower transmission and distribution system and upgrades to existing customer services.
- Rural rebuilding and improvement, with upgrades to overhead distribution facilities that are in the greatest need of replacement prioritized. As end-of-life overhead distribution is replaced, farmyard services are changed to underground service. Under this program, all new farmyard and rural residential customers are provided with underground service.
- Pole changes and testing, with the replacement of all deteriorated facilities on a planned basis versus replacement under emergency conditions to help reduce urgent maintenance call outs relating to these types of outages. These replacements are completed on an annual basis, using pole test data to determine which poles are most affected.
- Transmission substation improvements, with replacement, capacity increase, or rebuilds at five SaskPower substations.

8. Supply plan

Global and national economic conditions remain uncertain, although there are early signs that an economic recovery is taking hold. Major industrial customers are signaling that they will continue large-scale projects in the long run, but may moderate their short-term plans. This uncertainty makes it difficult to forecast load and there is a risk of over or under supply of electricity in a given period. Load in 2010 generally met forecasts, with an increase over 2009 levels. The projection for 2011 is expected to be higher still. Yet, global markets remain tentative and Saskatchewan, as an exporting economy, is vulnerable.

During the next decade, system peak demand is expected to increase by approximately 2.4% per year, which is materially higher than the 1.8% recorded in the previous 10-year period. As our province continues to grow, we must service existing customers and demonstrate to potential new customers that we can support their electricity needs. SaskPower anticipates the need to rebuild, replace or acquire approximately 3,755 MW of power by 2033 to meet growing electricity demand while balancing economic, environmental and social requirements.

At the end of 2010 SaskPower had a total available capacity of 3,982 MW and anticipates the need for the following replacements or additions over three respective timelines:

- Short term [2010-2015] — supply requirement of 1,037 MW.
- Medium term [2016-2023] — supply requirement of 1,126 MW.
- Long term [2024-2033] — supply requirement of 1,592 MW.

Short-, medium- and long-term supply plans are in place for power generation, distribution and transmission for these timelines. In fact, we are now working on a 40-year integrated supply plan. Our planning process endeavours to take all possibilities into account, including input costs, generation options, smart grid technologies, regulatory changes, load projections and DSM programs. As our environment is subject to change, SaskPower revisits these projections at least annually to make appropriate adjustments.

9. Fuel supply

SaskPower purchases natural gas and coal to supply the fuel needed to operate our generation facilities. Having sufficient fuel available when required for generation is essential to maintaining our ability to produce electricity. A disruption in the wholesale energy markets or in the Corporation's energy supply arrangements could adversely affect SaskPower's financial condition or its ability to meet electricity demand. We are exposed to increases in the cost of fuels used in production to the extent such increases are greater than the increases in the price that we can obtain for the electricity we produce.

To mitigate the coal supply and price risk, the Corporation has entered into long-term contracts for supplies of coal at negotiated quantities, terms and prices. These contracts extend out as far as 2024. SaskPower has also ensured that efficient coal handling and storage facilities are in place so that the coal being delivered can be processed in a timely and efficient manner.

Natural gas supply and price risk is mitigated by our energy management policies, which include the use of physical storage, physical term purchases and financial hedges. In accordance with SaskPower's Board-approved natural gas risk management program, the Corporation targets to hedge forecasted natural gas exposure at 50% for 2011, 40% for 2012, 30% for 2013, 20% for 2014 and 10% for 2015. SaskPower continually monitors the market for opportunities to enter into favourably priced long-term natural gas contracts.

As a result of the Corporation's policy, for every $1.00/GJ change in natural gas market price in the current year, there will be an approximate $0.50/GJ change in natural gas fuel cost to SaskPower. SaskPower has forecasted its natural gas volume exposure at 42.5 million GJs for 2011.

10. Safety

Working on or around high voltage equipment has inherent risk, as does work in confined spaces, around moving machinery, in high temperature and high pressure environments, and at heights or in other potentially dangerous circumstances.

SaskPower has extensive policies, procedures and controls in place to minimize the risk of a harmful contact by an employee, contractor, or member of the public. This includes the maintenance of a Safety Management System in compliance with the internationally recognized OHSAS 18001 specification. The Corporate Safety Department provides centralized health and safety services to all areas within the Corporation. SaskPower has also established an educational resource program to help inform the public of the hazards of power lines and delivers this information at public venues around the province.

11. Security (cyber and physical)

SaskPower utilizes critical information systems on a stand alone and networked basis in the conduct of its business. These systems are susceptible to failure and to damage or conversion from their intended use through unlawful acts. The Corporation may be subject to malicious or criminal acts, including sabotage and terrorism, resulting in the theft of or damage to assets.

The Corporation utilizes a risk management approach to ensure threats to its information systems are efficiently and effectively addressed. SaskPower maintains industry standard policies, processes and technical safeguards to ensure only authorized access and use of its information systems. An information security program is in place and it utilizes, amongst other key controls, policies and procedures to ensure identified critical systems can be recovered or reinstated in the event of an adverse event and system failure. SaskPower maintains hiring, training, operating, security, maintenance and capital programs designed to provide for the safe and reliable operation of its information systems.

The Corporation has various policies and procedures pertaining to the protection of corporate assets and employs cyber and physical security professionals who have responsibility for security, threat and risk assessment, and investigations. In addition, the SaskPower uses electronic surveillance and detection methods. The Corporation maintains reasonable levels of insurance to protect it against theft or vandalism related losses.

12. Information management

SaskPower's daily operation relies on various information technologies, all of which need to be maintained, supported, protected and secured to provide availability. If decision support information is not available on a timely basis, decision making can be adversely impacted.

To effectively compete in today's environment, SaskPower has been making concerted efforts to improve upon its Enterprise Information Management (EIM) practices. EIM is the ability to capture, manage, preserve, store and deliver the right information to the right people at the right time. In the last two years, SaskPower has been working to develop and enhance the enterprise-wide view of information management, whereby information is treated as an enterprise resource with the appropriate governance, technology and processes being applied.

13. Emergency preparedness

Our facilities are exposed to the effects of severe weather events, natural disasters, man-made events (including cyber and physical attacks) and, potentially, low frequency but high impact catastrophic events. Although constructed, operated and maintained to industry standards, our facilities may not withstand occurrences of these types in all circumstances. Losses from lost revenues and repair costs could be substantial, especially for many facilities that are located in remote areas.

This risk is partly mitigated because our transmission system is designed and operated to withstand the loss of any single major generation source and possesses inherent redundancy in most cases that provides alternate means to deliver power to our customers. In the event of any outage, we would be forced to make the repairs necessary and fund the repairs from operating earnings.

SaskPower has business continuity and emergency plans to deal with a variety of adverse events. Development, updating and testing these plans is a continuous effort.

14. Large projects

SaskPower has identified the need to invest significant amounts of capital in long-term projects to maintain, upgrade and expand infrastructure. There is risk that large projects may not be completed at all, be completed on materially different terms or timing than initially anticipated, incur cost overruns, or not realize the intended benefits. Factors contributing to these risks include unfavourable weather conditions, failure to obtain regulatory approvals, delays in obtaining key materials, labour difficulties, inflation, skills shortages or other events beyond SaskPower's control. Public acceptance of new infrastructure projects is also an integral part of achieving regulatory approvals.

To address the risk related to large projects, SaskPower employs the use of project management specialists for planning, estimating and executing. At the initiation of a project, comprehensive plans are developed that include the identification of critical paths, key delivery points, and backup plans. Where feasible, the price and availability of the equipment, warranties, and source agreements are fixed prior to proceeding. All large projects are vetted by our Risk and Insurance Group to ensure risks are properly identified and quantified, input assumptions are reasonable, and returns are realistically forecasted. At the conclusion of a project, closeouts are completed so that any lessons learned are incorporated into the next significant project. The Corporation also consults with potentially affected stakeholders to increase understanding and foster public acceptance for large projects.

15. Change management

Change management is a structured approach to moving individuals, teams and organizations from a current state to a desired future state. For an organization to realize the benefits of change, one of the requirements is that people accept or buy into the change. SaskPower is beginning a process of significant changes in how it does business. For this process to be successful, our present and future workers will need to support these changes and be flexible in their assignments, reporting lines and responsibilities.

To help manage the people side of change, SaskPower uses the Prosci change management methodology. In 2010, SaskPower purchased a Prosci professional license to provide a consistent approach to managing change in the organization. A number of people have been certified in the change management process, tools and templates. Also in 2010, an intranet web page was launched to share information with employees about change management and provide supervisors with some tools to manage change within their teams.

Consolidated financial statements and notes

76 Report of Management
77 Management's Report on Internal Control over Financial Reporting
78 Independent Auditor's Report
79 Consolidated statement of income and retained earnings
80 Consolidated statement of financial position
81 Consolidated statement of comprehensive income
81 Consolidated statement of accumulated other comprehensive loss
82 Consolidated statement of cash flows
83 Notes to the consolidated financial statements

Report of Management

The consolidated financial statements of Saskatchewan Power Corporation (SaskPower) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to March 17, 2011. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside Directors. At regular meetings the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The MD&A, consolidated financial statements and the independent auditor's report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditor's responsibility is to express its opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles.

On behalf of management,

Robert Watson
President and Chief Executive Officer
March 17, 2011

Sandeep Kalra

Sandeep Kalra
Vice-president and Chief Financial Officer

Management's Report on Internal Control over Financial Reporting

I, Robert Watson, President and Chief Executive Officer of Saskatchewan Power Corporation, and I, Sandeep Kalra, Vice-president and Chief Financial Officer of Saskatchewan Power Corporation, certify the following:

(a) That we have reviewed the financial statements included in the Annual Report of Saskatchewan Power Corporation. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2010.

(b) That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of Saskatchewan Power Corporation do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

(c) That Saskatchewan Power Corporation is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Saskatchewan Power Corporation has designed internal controls over financial reporting that are appropriate to the circumstances of Saskatchewan Power Corporation.

(d) That Saskatchewan Power Corporation conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Saskatchewan Power Corporation can provide reasonable assurance that internal controls over financial reporting as of December 31, 2010, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,

Sandeep Kalra

Robert Watson
President and Chief Executive Officer
March 17, 2011

Sandeep Kalra
Vice-president and Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying consolidated financial statements of Saskatchewan Power Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of income and retained earnings, comprehensive income, accumulated other comprehensive loss and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Power Corporation and its subsidiaries as at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 17, 2011
Regina, Saskatchewan

Consolidated statement of income and retained earnings

(in millions)

For the year ended December 31	2010	2009
Revenue		
Saskatchewan electricity sales	$ 1,575	$ 1,447
Exports	12	12
Gross margin from electricity trading *(Note 3)*	1	7
Other revenue *(Note 4)*	163	80
	1,751	1,546
Expense		
Fuel and purchased power *(Note 5)*	511	499
Operating, maintenance and administration *(Note 6)*	641	523
Depreciation and amortization *(Note 7)*	258	233
Taxes *(Note 8)*	42	39
	1,452	1,294
Income before finance charges	299	252
Finance charges *(Note 9)*	139	149
Net income	160	103
Retained earnings, beginning of year	973	870
Dividends	–	–
Retained earnings, end of year	$ 1,133	$ 973

See accompanying notes

Consolidated statement of financial position

(in millions)

As at December 31	2010	2009
Assets		
Current assets		
Accounts receivable and unbilled revenue	$ 222	$ 214
Inventory *(Note 10)*	144	147
Prepaid expenses	5	4
Risk management assets *(Note 21)*	1	–
	372	365
Property, plant and equipment *(Note 11)*		
Property, plant and equipment	7,772	7,272
Less: accumulated depreciation	3,488	3,296
	4,284	3,976
Construction in progress	251	282
	4,535	4,258
Intangible assets *(Note 12)*	24	25
Debt retirement funds *(Note 13)*	291	246
Equity investments *(Note 14)*	34	32
Other assets *(Note 15)*	12	22
Total assets	$ 5,268	$ 4,948
Liabilities and equity		
Current liabilities		
Bank indebtedness	$ 5	$ 2
Accounts payable and accrued liabilities	227	220
Accrued interest	49	48
Risk management liabilities *(Note 21)*	51	28
Short-term advances *(Note 16)*	159	272
Current portion of long-term debt *(Note 17)*	4	4
	495	574
Long-term debt *(Note 17)*	2,778	2,567
Employee future benefits *(Note 28)*	66	46
Other liabilities *(Note 18)*	137	129
Total liabilities	3,476	3,316
Equity		
Retained earnings	1,133	973
Accumulated other comprehensive loss *(Note 19)*	(1)	(1)
Equity advances *(Note 20)*	660	660
Total equity	1,792	1,632
Total liabilities and equity	$ 5,268	$ 4,948

Commitments and contingencies *(Note 24)*

See accompanying notes

On behalf of the Board

Joel Teal
Chair

Mick MacBean
Director

Consolidated statement of comprehensive income

(in millions)

For the year ended December 31	2010	2009
Net income	$ 160	$ 103
Other comprehensive income	–	–
Total comprehensive income	$ 160	$ 103

Consolidated statement of accumulated other comprehensive loss

(in millions)

For the year ended December 31	2010	2009
Accumulated other comprehensive loss, beginning of year	$ (1)	$ (1)
Other comprehensive income	–	–
Accumulated other comprehensive loss, end of year	$ (1)	$ (1)

Consolidated statement of cash flows

(in millions)

For the year ended December 31	2010	2009
Operating activities		
Net income	$ 160	$ 103
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization *(Note 7)*	258	233
Unrealized market value losses (gains) *(Notes: 3,5 and 9)*	19	(7)
Debt retirement fund earnings *(Notes: 9 and 13)*	(17)	(12)
Defined benefit pension plan contribution *[Note 28(a)]*	(27)	(27)
Defined benefit pension plan expense *[Note 28(b)]*	53	36
Equity investment income *(Note 14)*	(6)	(7)
Environmental remediation expenditures *(Note 18)*	(3)	(5)
Allowance for obsolescence	(4)	1
Other	–	3
	433	318
Net change in non-cash working capital *(Note 25)*	8	24
Cash provided by operating activities	441	342
Investing activities		
Property, plant and equipment additions	(543)	(605)
Intangible asset additions	(7)	(20)
Interest capitalized *(Note 9)*	(15)	(15)
Customer contributions and net cost of removal	43	54
Equity investment distributions *(Note 14)*	4	4
Cash used in investing activities	(518)	(582)
Decrease in cash before financing activities	(77)	(240)
Financing activities		
Net (repayment of) proceeds from short-term advances	(113)	272
Proceeds from (repayment of) recourse debt	216	(3)
Repayment of non-recourse debt	(4)	(4)
Debt retirement fund instalments *(Note 13)*	(25)	(25)
Dividends paid	–	(8)
Cash provided by financing activities	74	232
Decrease in cash	(3)	(8)
(Bank indebtedness) cash and cash equivalents, beginning of year	(2)	6
Bank indebtedness, end of year	$ (5)	$ (2)
Supplemental information:		
Cash paid for interest	$ 173	$ 171
Cash paid for grants-in-lieu of taxes	19	18
Cash paid for capital tax	23	19

See accompanying notes

Notes to the consolidated financial statements

As at December 31, 2010

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*.

By virtue of *The Crown Corporations Act, 1993*, SaskPower has been designated a subsidiary of Crown Investments Corporation (CIC) of Saskatchewan, a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and related notes:

- Electrical deliveries not yet billed at year-end *[Note 2(c)]*.
- Allowance for inventory obsolescence *[Notes: 2(f) and 10]*.
- Underlying estimates of useful lives and related depreciation and accumulated depreciation *[Notes: 2(h), 2(i), 7, 11 and 12]*.
- Carrying amounts of asset retirement obligations and environmental remediation liabilities, and underlying estimates of future cash flows *[Notes: 2(k), 2(l) and 18]*.
- Fair value of financial instruments *[Notes: 2(m) and 21]*.
- Carrying amounts of employee future benefits and underlying actuarial assumptions *[Notes: 2(n) and 28]*.

Actual results could differ from those estimates, which may impact the actual results reported in future periods.

(b) Consolidation and investments

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries with all significant inter-company transactions and balances being eliminated. Joint venture interests are accounted for using the proportionate consolidation method. Investments in companies over which the Corporation exerts significant influence are accounted for using the equity method. Using this method, the investment is initially recorded at cost and the carrying value adjusted thereafter to include the Corporation's proportionate share of the post-acquisition earnings less cash distributions.

Separate audited financial statements are prepared for its operating wholly-owned subsidiaries: NorthPoint Energy Solutions Inc. (NorthPoint) and Power Greenhouses Inc. (SaskPower Shand Greenhouse). SaskPower International Inc. (wholly-owned subsidiary) has no active operations beyond its joint venture interests in Cory Cogeneration Station and Cory Cogeneration Funding Corporation and its investment in MRM Cogeneration Station, over which it exerts significant influence.

(c) Revenue recognition

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by provincial cabinet. Saskatchewan electricity sales and exports are recognized upon delivery to the customer and include an estimate of electrical deliveries not yet billed at year-end. The estimated unbilled revenue is based on several factors, including estimated consumption by customer class, applicable customer rates and the number of days between the last billing date and the end of the year.

Electricity trading revenues are reported on a net basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at their fair value *[Notes: 3 and 21]*.

Wind power incentives received from the Government of Canada for electricity generated from the Centennial and Cypress wind generating facilities are recognized as other revenue upon delivery of the electricity into the SaskPower grid. Federal government funding has also been provided for research into the reduction of carbon emissions. In 2008, the federal government provided the Government of Saskatchewan's General Revenue Fund with funding to support carbon capture and storage demonstration projects. These funds were subsequently transferred to CIC, which in turn reimburses SaskPower for all eligible expenditures on the integrated carbon capture and sequestration (ICCS) project. The Corporation records the funds received as other revenue with actual expenditures recorded as operating, maintenance and administration (OM&A).

Other revenue also includes gas and electrical inspections and fly ash sales, which are recorded upon delivery of the related good or service. Investment income, which is the Corporation's proportionate share of post acquisition earnings on its equity investment, is recorded in other revenue *(Note 4)*.

Customer contributions are deferred and recognized in income as a credit to depreciation expense over the estimated service life of the related asset *(Note 7)*.

(d) Foreign currency translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period.

(e) Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents can include short-term investments that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(f) Inventory

Maintenance materials, supplies, natural gas, coal and other fuel inventory are recorded at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Replacement cost is used as management's best estimate of the net realizable value for maintenance materials, supplies, coal and other fuel inventory. Net realizable value for natural gas inventory is determined using the near month and forward AECO C natural gas market prices as appropriate. Inventories are written down to net realizable value on an item by item basis.

In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology. Materials are charged to inventory when purchased and then expensed or capitalized when installed *(Note 10)*.

(g) Property, plant and equipment

Property, plant and equipment is recorded at original cost and includes material, direct labour, overhead costs and interest during construction. The Corporation capitalizes interest based on the weighted average cost of long-term borrowings.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount. Maintenance and repair costs are expensed as incurred.

Customer contributions are funds received from certain customers toward the costs of service extensions. Contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset.

Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment *(Note 11)*.

(h) Depreciation

Depreciation is recognized on a straight-line basis over the estimated service life of the related asset. The estimated useful life of property, plant and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. Estimated service lives of the assets are periodically reviewed and any changes are applied prospectively.

Effective January 1, 2010, following the completion of an internal depreciation study, the average estimated service lives of certain asset components were changed. The impact of the change in estimated service lives was a decrease in depreciation expense of approximately $4 million in 2010.

The average estimated service life of new assets for the major categories of property, plant and equipment is:

Asset	Average estimated service life (years)
Generation	5 – 100
Transmission	20 – 50
Distribution	30 – 40
Other	4 – 50

Depreciation expense also includes the gain or loss on both the complete and partial disposal of assets, environmental remediation expenditures and accretion (interest) expense on asset retirement obligations *(Note 7)*.

(i) Intangible assets

The Corporation's only identifiable intangible asset is software. Software costs include the cost of externally purchased software packages and for internally developed programs, related external and direct labour costs. Maintenance of existing software programs is expensed as incurred *(Note 12)*.

Amortization is calculated on a straight-line basis over five years — the estimated useful life of the Corporation's software programs. Estimated useful lives of intangible assets are reviewed annually and any changes are applied prospectively *(Note 7)*.

(j) Impairment of assets

The Corporation evaluates its property, plant and equipment and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors, which could indicate an impairment exists, include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2010, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write-down was required.

(k) Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes asset retirement obligations to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes asset retirement obligations for the decommissioning of assets containing polychlorinated biphenyls (PCBs) in excess of existing federal regulations. The Corporation has not recognized an obligation for most of its transmission, distribution and hydro generation assets as an estimate of their fair value cannot be determined. The Corporation expects to maintain and operate these assets indefinitely.

The fair value of the estimated asset retirement costs is recorded in other liabilities, with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion expense. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation. Asset retirement obligations are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost *(Notes: 7 and 18)*.

(l) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis *(Notes: 7 and 18)*.

(m) Financial instruments

Classification and measurement

SaskPower classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities. All financial instruments are measured at fair value on initial recognition and recorded on the consolidated statement of financial position. Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of income in the line item to which the financial instrument is related. Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognized as other comprehensive income. Financial instruments classified as held-to-maturity; loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments, including natural gas, export and electricity trading contracts, are utilized by the Corporation to manage the exposure to natural gas and electricity price risk. All derivative contracts are recognized as a financial asset or a financial liability on the trade date. The Corporation has chosen not to designate its derivative instruments as hedges. As such, all derivative financial instruments are classified as held-for-trading and recorded at fair value on the consolidated statement of financial position as risk management assets and liabilities with subsequent changes in fair value recognized in the consolidated statement of income.

Certain commodity contracts for the physical purchase of natural gas have been designated as own-use contracts. SaskPower entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

The Corporation has elected to record embedded derivatives only for contracts or financial instruments entered into or modified after January 1, 2003. As at December 31, 2010, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately *(Note: 21)*.

Fair value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. SaskPower's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The Corporation has classified the fair valuation of its financial instruments as level 1, 2, or 3 as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access. The fair values for cash and cash equivalents, bank indebtedness, and short-term advances were based on carrying value as an approximation of market value due to the short time-frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Government of Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Natural gas fixed price swap instrument values are calculated using internal discounted cash flow models that rely on forward AECO C natural gas pricing provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves. Natural gas options (two-way collars) are valued using over-the-counter or end-market pricing received from the reference dealer.

Electricity trading contract fair values were determined using independent pricing information from external market providers.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

(n) Employee future benefits

The Corporation provides pension plans for all eligible employees, including a defined benefit pension plan and a defined contribution pension plan. The defined benefit pension plan (the Plan) is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations*, as well as *The Power Corporation Superannuation Act*. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to OM&A expense.

The defined benefit pension plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

The cost of pension benefits under this Plan is actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. Market rates are used to measure the accrued benefit obligation and fair value to measure the Plan assets. The past service costs from amendments to the Plan are being amortized over the average remaining service life of the employees in the Plan. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of Plan assets is amortized over the average remaining service life of the employees in the Plan.

The Corporation provides severance plans for all eligible employees, including defined contribution and defined benefit severance plans. Under the defined contribution severance plan, SaskPower's obligations are limited to contributions made for current service. The cost of severance benefits under the defined benefit severance plans is determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation is being amortized over the average remaining service life of the employees in the defined benefit severance plans.

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who chose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements *(Note 28)*.

(o) Future accounting policy changes — International Financial Reporting Standards (IFRS)

In October 2010, the Canadian Accounting Standards Board (AcSB) amended the introduction to Part I of the *CICA Handbook – Accounting* to require:

i) Qualifying entities with rate-regulated activities, investment companies and segregated accounts of life insurance enterprises to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012; and

ii) Entities electing to defer the first-time adoption of IFRS to disclose that fact.

The AcSB reaffirmed its decision that the deferral should be limited to entities that have activities subject to cost-based regulation and that recognize regulatory assets and regulatory liabilities. SaskPower does not meet the definition of a rate-regulated entity as defined by the AcSB. As such, SaskPower will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

3. Gross margin from electricity trading

(in millions)		**2010**		2009
Electricity trading revenue	**$**	**42**	$	74
Electricity trading costs		**(38)**		(67)
		4		7
Unrealized electricity trading market value losses		**(3)**		–
	$	**1**	$	7

4. Other revenue

(in millions)		**2010**		2009
Gas and electrical inspections	**$**	**13**	$	11
Fly ash sales		**7**		8
Wind power production incentives		**5**		5
Equity investment income *(Note 14)*		**6**		7
Grant funding for ICCS project		**110**		28
Miscellaneous revenue		**22**		21
	$	**163**	$	80

5. Fuel and purchased power

(in millions)		**2010**		2009
Gas	**$**	**230**	$	266
Coal		**212**		194
Imports		**20**		19
Hydro		**16**		11
Wind		**2**		3
Other		**12**		16
		492		509
Unrealized electricity trading market value losses (gains)		**19**		(10)
	$	**511**	$	499

Gas costs include the fuel charges associated with the electricity generated from SaskPower-owned gas-fired facilities and the cost of electricity obtained through power purchase agreements with the Cory Cogeneration Station and the Meridian Cogeneration Station. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan. Wind includes the cost of electricity obtained through SaskPower's power purchase agreement with the SunBridge Wind Power Project. Other includes the cost of electricity obtained through power purchase agreements with NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects.

6. Operating, maintenance and administration

(in millions)		**2010**		2009
Salaries and benefits	**$**	**297**	$	274
External services		**136**		125
ICCS project		**110**		28
Materials and supplies		**33**		32
Other		**65**		64
	$	**641**	$	523

7. Depreciation and amortization

(in millions)	2010	2009
Depreciation expense	$ 254	$ 236
Amortization of intangible assets	8	6
Accretion expense *(Note 18)*	4	3
Loss on asset disposals and retirements	8	5
Amortization of customer contributions	(16)	(13)
Environmental remediation expenditures	–	(4)
	$ 258	$ 233

8. Taxes

(in millions)	2010	2009
Grants-in-lieu of taxes to 13 cities	$ 19	$ 18
Saskatchewan corporate capital tax	23	21
	$ 42	$ 39

In addition to the above, SaskPower collected a municipal surcharge between 5% and 10% of residential electricity sales on behalf of 401 Saskatchewan cities, towns and villages from customers and remitted $47 million (2009 – $45 million) to local governments pursuant to Section 36 of *The Power Corporation Act*.

9. Finance charges

(in millions)	2010	2009
Interest on long-term debt	$ 173	$ 171
Interest on short-term advances	1	–
Interest capitalized	(15)	(15)
Debt retirement fund earnings *(Note 13)*	(17)	(12)
Other interest and charges	–	2
	142	146
Unrealized debt retirement fund market value (gains) losses *(Note 13)*	(3)	3
	$ 139	$ 149

10. Inventory

(in millions)	2010	2009
Maintenance materials and supplies	$ 123	$ 131
Allowance for obsolescence	(8)	(12)
	115	119
Natural gas	18	17
Coal	10	10
Other fuel	1	1
	$ 144	$ 147

During the year, $262 million (2009 – $232 million) of natural gas, coal and other fuel inventory and $144 million (2009 – $133 million) of maintenance materials and supplies were consumed. There was a provision made to write-down inventory by $1 million (2009 – $3 million) offset by $5 million (2009 – $2 million) in obsolete inventory that was written-off against the provision during 2010.

11. Property, plant and equipment

(in millions)	2010				2009			
	Cost	**Accumulated depreciation**	**Construction in progress**	**Net book value**	Cost	Accumulated depreciation	Construction in progress	Net book value
Generation	**$ 4,198**	**$ 1,979**	**$ 130**	**$ 2,349**	$ 3,897	$ 1,868	$ 191	$ 2,220
Cogeneration	**136**	**36**	**–**	**100**	135	32	–	103
Transmission	**800**	**347**	**44**	**497**	717	331	49	435
Distribution	**2,205**	**930**	**36**	**1,311**	2,106	881	22	1,247
Other	**433**	**196**	**41**	**278**	417	184	20	253
	$ 7,772	**$ 3,488**	**$ 251**	**$ 4,535**	$ 7,272	$ 3,296	$ 282	$ 4,258

Included in the above amounts are unamortized reconstruction charges and customer contributions of $367 million (2009 – $340 million).

12. Intangible assets

(in millions)	2010			2009		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Software	**$ 137**	**$ 113**	**$ 24**	$ 130	$ 105	$ 25

13. Debt retirement funds

A reconciliation between the opening and closing debt retirement funds balance is provided below:

(in millions)	**2010**	2009
Debt retirement funds, beginning of year	**$ 246**	$ 212
Debt retirement fund instalments	**25**	25
Debt retirement fund earnings *(Note 9)*	**17**	12
	288	249
Unrealized debt retirement fund market value gains (losses) *(Note 9)*	**3**	(3)
Debt retirement funds, end of year	**$ 291**	$ 246

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2010, scheduled debt retirement fund instalments for the next five years are as follows:

(in millions)	**2011**	**2012**	**2013**	**2014**	**2015**
Debt retirement fund annual contribution	$ 27	$ 27	$ 27	$ 26	$ 26

14. Equity investments

The Corporation has a 30% ownership interest in the MRM Cogeneration Station. The 172-megawatt (MW) natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. A reconciliation between the opening and closing equity investment balance is provided below:

(in millions)	**2010**	2009
Equity investment, beginning of year	**$ 32**	$ 29
Equity investment income	**6**	7
Equity investment other comprehensive loss	**–**	–
Equity investment distributions	**(4)**	(4)
Equity investment, end of year	**$ 34**	$ 32

15. Other assets

(in millions)	**2010**	2009
Employee future benefits asset *[Note 28(a)]*	**$ –**	$ 8
Prepaid expenses	**11**	13
Investment	**1**	1
	$ 12	$ 22

Employee future benefits asset

This represents the accounting surplus in the defined benefit pension plan based on long-term assumptions. It does not represent the actuarial valuation of the Plan.

Prepaid expenses

This includes prepaid amounts made in accordance with long-term coal supply agreements. The prepaid amounts are amortized on a straight-line basis over the period of benefit.

Investment

This represents an investment in the Master Asset Vehicle II (MAVII) instrument. The investment is recorded at its estimated fair value at December 31, 2010 *(Note 21)*.

16. Short-term advances

(in millions)	**2010**	2009
Short-term advances	**$ 159**	$ 272

Date of issue	**Date of maturity**	**Interest rate (%)**	**Currency**	**Outstanding amount**
November 26, 2010	January 5, 2011	0.91	Canadian dollar	$ 10
December 1, 2010	January 6, 2011	0.95	Canadian dollar	30
December 15, 2010	January 14, 2011	0.96	Canadian dollar	30
December 15, 2010	January 14, 2011	0.94	Canadian dollar	25
December 20, 2010	January 18, 2011	0.94	Canadian dollar	45
December 31, 2010	January 4, 2011	1.00	Canadian dollar	19
				$ 159

The short-term advances are due to the Government of Saskatchewan's General Revenue Fund.

17. Long-term debt

(in millions)	2010	2009
Recourse debt – advances from the Government of Saskatchewan	**$ 2,672**	$ 2,472
Non-recourse debt	**76**	80
Unamortized debt premiums net of issue costs	**34**	19
Gross long-term debt	**2,782**	2,571
Less: current portion of long-term debt	**(4)**	(4)
Long-term debt	**$ 2,778**	$ 2,567

The recourse debt is comprised of advances from the Government of Saskatchewan's General Revenue Fund, substantially all of which have annual debt retirement fund requirements. The non-recourse debt is used to finance the Cory Cogeneration Station. Under the terms of this debt, lenders have recourse limited to the Station's assets.

Recourse debt — advances from the Government of Saskatchewan (in millions)

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Outstanding amount
July 20, 1993	July 15, 2013	8.63	7.81	$ 97
December 20, 1990	December 15, 2020	11.23	9.97	129
February 4, 1992	February 4, 2022	9.27	9.60	240
July 21, 1992	July 15, 2022	10.06	8.94	256
May 30, 1995	May 30, 2025	8.82	8.75	100
August 8, 2001	September 5, 2031	6.49	6.40	200
January 15, 2003	September 5, 2031	5.91	6.40	100
May 12, 2003	September 5, 2033	5.90	5.80	100
January 14, 2004	September 5, 2033	5.68	5.80	200
October 5, 2004	September 5, 2035	5.50	5.60	200
February 15, 2005	March 5, 2037	5.09	5.00	150
May 6, 2005	March 5, 2037	5.07	5.00	150
February 24, 2006	March 5, 2037	4.71	5.00	100
March 6, 2007	June 1, 2040	4.49	4.75	100
April 2, 2008	June 1, 2040	4.67	4.75	250
December 19, 2008	June 1, 2040	4.71	4.71	100
September 8, 2010	June 1, 2040	4.27	4.75	200
				$ 2,672

Non-recourse debt (in millions)

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Outstanding amount
April 26, 2001	March 31, 2011, to December 31, 2025	7.87	7.59	$ 40
April 26, 2001	March 31, 2011, to June 30, 2026	7.88	7.60	35
October 4, 2002	March 31, 2011, to December 31, 2011	Floating	B.A.[1]+margin	1
				$ 76

---

[1] A Banker's Acceptance is an instrument that is created by a non-financial firm and accepted and guaranteed by the bank. This rate is based on the average rates from eight Canadian banks with the high and low rates omitted from the average. The margin ranges from 0.0% to 1.375%.

As at December 31, 2010, scheduled principal debt retirement requirements for the next five years are as follows:

(in millions)	2011	2012	2013	2014	2015
Recourse debt	$ –	$ –	$ 97	$ –	$ –
Non-recourse debt	4	4	4	5	5
	$ 4	$ 4	$ 101	$ 5	$ 5

18. Other liabilities

(in millions)		2010		2009
Asset retirement obligations	$	95	$	84
Environmental remediation liabilities		42		45
	$	137	$	129

Asset retirement obligations

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

(in millions)		2010		2009
Asset retirement obligations, beginning of year	$	84	$	53
Liabilities incurred in the period		7		28
Liabilities removed in the period		–		–
Accretion expense *(Note 7)*		4		3
Asset retirement obligations, end of year	$	95	$	84

In 2010, the Corporation revised its estimated timing for the removal and disposal of equipment containing PCBs in excess of current environmental laws and regulations. The change in estimate was applied prospectively, effective June 30, 2010. This resulted in a $4 million increase in property, plant and equipment and other liabilities with a $2 million impact on depreciation expense in 2010. In addition, effective December 31, 2010, the Corporation established an asset retirement obligation for the Yellowhead Power Station, which was commissioned in December. The Corporation also increased the provision for decommissioning the Cory Cogeneration Station and SaskPower's diesel sites based on revised estimates. This resulted in a $3 million increase to property, plant and equipment and other liabilities with no impact on depreciation expense in 2010.

SaskPower estimates the undiscounted amount of cash flows required to settle the asset retirement obligations is approximately $256 million, which will be incurred between 2011 and 2043. The majority of these costs will be incurred between 2036 and 2043. Credit-adjusted risk-free rates between 3.76% and 6.04% were used to calculate the carrying values of the asset retirement obligations. No funds have been set aside by the Corporation to settle the asset retirement obligations.

Environmental remediation liabilities

Environmental remediation liabilities represent expected environmental expenditures related to present or past activities of the Corporation. The Corporation's estimate for environmental remediation liabilities was reduced by $3 million as a result of remediation activities undertaken in the year which were charged against the provision.

19. Accumulated other comprehensive loss

(in millions)		2010		2009
Unrealized losses on interest rate swaps	$	(1)	$	(1)

20. Equity advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

21. Financial instruments

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

At December 31			**2010**		2009	
(in millions)			**Asset (liability)**		Asset (liability)	
Financial instruments	**Classification[4]**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Accounts receivable and unbilled revenue	L&R[2]	N/A	**$ 222**	**$ 222**	$ 214	$ 214
Debt retirement funds	HFT[1]	2	**291**	**291**	246	246
Investment	HFT[1]	3	**1**	**1**	1	1
Financial liabilities						
Bank indebtedness	HFT[1]	1	**$ (5)**	**$ (5)**	$ (2)	$ (2)
Accounts payable and accrued liabilities	OL[3]	N/A	**(227)**	**(227)**	(220)	(220)
Accrued interest	OL[3]	N/A	**(49)**	**(49)**	(48)	(48)
Short-term advances	HFT[1]	1	**(159)**	**(159)**	(272)	(272)
Recourse debt	OL[3]	2	**(2,708)**	**(3,351)**	(2,493)	(2,965)
Non-recourse debt	OL[3]	2	**(74)**	**(89)**	(78)	(91)

Risk management assets and liabilities

The following summarizes the market value gains and losses on the Corporation's risk management activities:

At December 31			**2010**		2009		**2010**
(in millions)	**Classification[4]**	**Level[5]**	**Asset**	**Liability**	Asset	Liability	**Market value losses**
Natural gas contracts							
Two-way collars	HFT[1]	2	**$ –**	**$ –**	$ –	$ –	**$ –**
Fixed price swap instruments	HFT[1]	2	**–**	**(47)**	–	(28)	**(19)**
Electricity trading contracts							
Contract for differences	HFT[1]	2	**1**	**(4)**	–	–	**(3)**
Forward agreements	HFT[1]	2	**–**	**–**	–	–	**–**
			$ 1	**$ (51)**	$ –	$ (28)	**$ (22)**

---

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as either held-to-maturity or available-for-sale.
5. Fair values are determined using a fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Not applicable (N/A) – Financial instruments — including accounts receivable and unbilled revenue; accounts payable and accrued liabilities and accrued interest — are carried at values which approximate fair value due to the short period to maturity.

22. Financial risk management

Market risk

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Natural gas contracts

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at December 31, 2010, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 49% of its forecasted natural gas purchases for 2011, 42% for 2012, 11% for 2013, 10% for 2014 and 2% for 2015.

Based on the Corporation's December 31, 2010, closing positions on its financial natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $20 million improvement in the unrealized market value losses recognized in net income for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at December 31, 2010.

Electricity trading contracts

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. At December 31, 2010, the VaR associated with electricity trading activities was $2 million.

Debt retirement funds

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Government of Saskatchewan's General Revenue Fund. The Corporation has classified these investments as held-for-trading and, therefore, recognized the change in the market value in net income for the period. At December 31, 2010, SaskPower had $291 million in debt retirement funds. The fair value of the debt retirement funds is driven largely by interest rates. The estimated impact of a 1% increase in interest rates, assuming no change in the amount of debt retirement funds, would be a $25 million decrease in the market value of the debt retirement funds.

Interest rate

The Corporation is exposed to interest rate risk on the Corporation's short-term variable interest rate debt. At December 31, 2010, SaskPower had $159 million in short-term advances outstanding. The Corporation is also exposed to interest rate risk arising from fluctuations in interest rates on future short-term and long-term borrowings. Interest rate risk on these expected future borrowings are managed by having an appropriate mix of fixed and floating rate debt. The Corporation may also use derivative financial instruments when deemed appropriate to manage interest rate risk. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates as at December 31, 2010, and the amount of the short-term variable interest rate debt is not considered significant.

Foreign exchange

The Corporation faces exposure to the U.S./Canadian dollar exchange rate primarily through the sale of electricity to customers in the U.S. as well as from the purchase of goods and services that are payable in U.S. dollars. The Corporation may utilize financial instruments to manage this risk. As at December 31, 2010, the Corporation had no outstanding foreign exchange derivative contracts. The impact of fluctuations in foreign exchange rates on SaskPower's financial instruments is not considered significant to the Corporation and, therefore, a sensitivity analysis of the impact on net income has not been provided.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation does not have a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at December 31, 2010, is limited to the fair value of the financial assets recognized as follows:

Financial assets (in millions)		**December 31, 2010**		December 31, 2009
Accounts receivable and unbilled revenue	**$**	**222**	$	214
Risk management assets		**1**		–
Debt retirement funds		**291**		246
Investment		**1**		1
	$	**515**	$	461

(a) Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. The following reflects an aging summary of the Corporation's customer accounts receivable balances for both electricity and non-electricity sales at December 31, 2010:

(in millions)		**December 31, 2010**		December 31, 2009
Current	**$**	**197**	$	196
30 – 59 days		**11**		9
60 – 89 days		**3**		3
90 days and greater		**4**		3
	$	**215**	$	211
Allowance for doubtful accounts		**(1)**		(1)
Customer down payment		**(5)**		(5)
Miscellaneous receivables		**13**		9
	$	**222**	$	214

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

(b) SaskPower is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. The Corporation maintains Board-approved credit policies and limits in respect to its counterparties.

(c) Debt retirement funds are on deposit with the Government of Saskatchewan's General Revenue Fund and invested as the Minister of Finance may determine. At December 31, 2010, the Minister had invested these funds primarily in provincial government and federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2010, is considered low.

(d) In 2009, the Corporation converted its investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora) to longer-term interest paying notes, Master Asset Vehicle II (MAVII), which will be paid off as the underlying assets mature. As of December 31, 2010, the investment has been written-down by 45% to reflect the uncertainty with respect to SaskPower being repaid the full value of its initial investment. The investment is recognized in other assets on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due or can do so only at excessive cost. SaskPower manages the Corporation's cash resources based on financial forecasts and anticipated cash flows.

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2010:

			Contractual cash flows				
Financial liabilities (in millions)	**Carrying amount**	**Contractual cash flows**	**0 – 6 months**	**7 – 12 months**	**1 – 2 years**	**3 – 5 years**	**More than 5 years**
Bank indebtedness	$ 5	$ 5	$ 5	$ –	$ –	$ –	$ –
Accounts payable and accrued liabilities	227	227	227	–	–	–	–
Accrued interest	49	49	49	–	–	–	–
Risk management liabilities	51	51	51	–	–	–	–
Short-term advances	159	159	159	–	–	–	–
Recourse debt	2,708	5,933	38	87	174	603	5,031
Non-recourse debt	74	123	5	5	9	27	77
	$ 3,273	$ 6,547	$ 534	$ 92	$ 183	$ 630	$ 5,108

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

The carrying amount of the recourse and non-recourse debt is the net of the outstanding principal and any premiums or issue costs.

23. Capital management

The Corporation's objective when managing capital is to ensure adequate capital to support the operations and growth strategies of the Corporation.

SaskPower raises most of its capital through internal operating activities and through funds obtained by borrowing from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to $5,000 million. This includes $1,400 million which may be borrowed by way of temporary loans through the Government of Saskatchewan and through available credit of $51 million at financial institutions.

The Corporation's capital structure consists of gross long-term debt net of debt retirement funds, short-term advances, retained earnings and equity advances less cash and cash equivalents (bank indebtedness).

The Corporation monitors its capital structure using the per cent debt ratio. The per cent debt ratio target is 60 – 75%. The per cent debt ratio is calculated as total net debt divided by total capital as follows:

(in millions)	**December 31, 2010**	December 31, 2009
Gross long-term debt	**$ 2,782**	$ 2,571
Short-term advances	**159**	272
Debt retirement funds	**(291)**	(246)
Bank indebtedness	**5**	2
Total net debt	**2,655**	2,599
Retained earnings	**1,133**	973
Equity advances	**660**	660
Total capital	**$ 4,448**	$ 4,232
Per cent debt ratio	**59.7%**	61.4%

24. Commitments and contingencies

(a) The Corporation has entered into power purchase agreements that provide approximately 469 MW of generating capacity. SaskPower also recently negotiated three power purchase agreements for the Red Lily Wind Power LP wind generating facility; Spy Hill Power LP natural gas generating facility; and the North Battleford Power LP natural gas generating facility. The Red Lily and Spy Hill facilities are expected to become operational in 2011 with generating capacities of 27 MW and 86 MW, respectively. The 261-MW North Battleford facility will become operational in 2013. The total cost of all power purchase agreements is expected to be $11,692 million (2009 – $7,502 million) until 2036.

(b) SaskPower has entered into contracts to purchase natural gas expected to cost $235 million (2009 – $223 million) based on forward market prices until 2015. This includes fixed price forward contracts with a notional value of $210 million (2009 – $180 million) for which the Corporation has elected to use the own-use exemption.

(c) At 2010 prices, the Corporation also has forward commitments of $1,181 million (2009 – $1,289 million) extending until 2024 for future minimum coal deliveries. A $4 million claim has been made related to the pricing on prior period coal deliveries which SaskPower is currently disputing. No amounts have been recorded in these financial statements related to that claim.

(d) The Corporation is forecasting to spend $1,055 million on capital projects in 2011.

(e) Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed $21 million (2009 – $12 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.

(f) SaskPower has committed to electricity sales of $16 million (2009 – $ nil) and electricity and transmission purchases of $51 million (2009 – $3 million). These contracts are considered derivative financial instruments and changes in their fair value have been included in net income.

(g) The Corporation has issued letters of credit in the amount of $6 million (2009 – $6 million) related to electricity trading activities and physical natural gas purchases. The Corporation has also provided a promissory note of $5 million as acceptable credit support for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

(h) SaskPower has a commitment to make contributions to the Power Corporation Superannuation Plan as a result of a binding court settlement from a legal action that was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Plan. The settlement requires SaskPower to pay $81 million into the Plan in three equal instalments over three years. The first two payments of $27 million were completed on December 15, 2009, and June 28, 2010, respectively, and the final payment is due July 1, 2011.

SaskPower has various other legal matters pending which, in the opinion of management, will not have a material affect on SaskPower's consolidated financial position or results of operations.

25. Net change in non-cash working capital

(in millions)		**2010**		2009
Accounts receivable and unbilled revenue	**$**	**(8)**	$	(34)
Inventory		**7**		(1)
Prepaid expenses		**(1)**		3
Other assets		**2**		4
Accounts payable and accrued liabilities		**7**		52
Accrued interest		**1**		–
	$	**8**	$	24

26. Joint ventures

(a) The Corporation holds a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228-MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan.

(b) The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC acts as agents for the Owners by receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.

(c) The Corporation's interest in joint ventures is summarized below:

(in millions)	2010	2009
Statement of income		
Revenue	**$ 20**	$ 20
Operating, maintenance and administration	**(8)**	(7)
Depreciation and amortization	**(5)**	(5)
Finance charges	**(6)**	(6)
Income from joint ventures	**$ 1**	$ 2
Statement of financial position		
Current assets	**$ 5**	$ 5
Property, plant and equipment	**100**	103
Current liabilities	**(6)**	(6)
Non-recourse long-term debt	**(71)**	(74)
Other liabilities	**(2)**	(1)
Investment in joint ventures	**$ 26**	$ 27
Statement of cash flows		
Operating activities	**$ 6**	$ 8
Investing activities	**–**	5
Financing activities	**(6)**	(12)
Increase in cash	**$ –**	$ 1

Current assets include cash of $3 million (2009 – $3 million) which is only available for use within the joint ventures.

27. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2010	2009
Revenue	**$ 185**	$ 99
Expense	**297**	282
Accounts receivable and unbilled revenue	**15**	10
Property, plant and equipment	**16**	12
Accounts payable and accrued liabilities	**12**	10
Accrued interest	**49**	48

Included in revenue above is $110 million (2009 – $28 million) in federal government grants provided to the Corporation through CIC to fund SaskPower's ICCS project. In 2008, the federal government provided the Government of Saskatchewan's General Revenue Fund with $240 million to fund carbon capture and storage demonstration projects. These funds were subsequently transferred to CIC, which in turn reimburses SaskPower for eligible expenditures related to the ICCS project.

The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Government of Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

28. Employee future benefits

Defined benefit pension plan

The Corporation sponsors a defined benefit pension plan (the Plan) that has been substantially closed to employees since 1977. The measurement date of the latest actuarial valuation used to determine the Plan assets and obligations was September 30, 2010.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2008. Under current Canada Revenue Agency guidelines, an actuarial valuation for funding purposes is to be completed at a minimum, every three years.

The defined benefit pension plan is solely the obligation of the Corporation. The Corporation is not obligated to fund the Plan but is obligated to pay benefits under the terms of the Plan as they come due.

(a) Status of the Plan

The actuarial valuation measured at September 30, 2010, showed that the Plan had an actuarial deficit of $183 million (2009 – $162 million). The decline in the funded status of the Plan was mainly due to a decrease in the discount rate from 6.00% per annum to 5.00% per annum. The calculation of the pension plan deficit is as follows:

(in millions)	2010	2009
Plan assets		
Fair value, beginning of year	**$ 678**	$ 699
Actual return on plan assets	**50**	23
Employer funding contributions	**54**	–
Employee funding contributions	**1**	2
Benefits paid	**(50)**	(46)
Fair value, end of year	**733**	678
Accrued benefit obligation		
Balance, beginning of year	**840**	805
Current service cost	**6**	8
Interest cost	**49**	49
Benefits paid	**(50)**	(46)
Actuarial loss	**71**	24
Balance, end of year	**916**	840
Plan deficit at September 30	**$ (183)**	$ (162)

For accounting purposes, a liability of $18 million (2009 – asset of $8 million) has been recorded and presented as employee future benefits on the consolidated statement of financial position at December 31, 2010. The difference between the value reported as the Plan deficit and the value recorded on SaskPower's consolidated statement of financial position is due to the CICA requirement to base the valuation of the Plan for accounting purposes on long-term actuarial assumptions rather than on actual experience.

Below is a reconciliation of the Plan deficit and the value of the Plan recorded on SaskPower's consolidated statement of financial position:

(in millions)	2010	2009
Plan deficit at September 30	**$ (183)**	$ (162)
Add: unamortized net actuarial loss not yet recorded	**165**	140
unamortized past service costs	**–**	3
SaskPower's contribution to the Plan	**–**	27
Employee future benefits (liability) asset	**$ (18)**	$ 8

There are three significant reconciling items. The first item relates to the unamortized net actuarial loss. This loss is made up of the accumulated difference between the actual returns and obligations of the Plan and the expected returns and obligations of the Plan based upon the long-term actuarial assumptions.

The second item relates to the unamortized past service costs. These costs relate to legislation introduced by the Government of Saskatchewan in 2006 that amended the Plan to provide regular benefit increases equal to 70% of the increase in the Saskatchewan CPI. These past service costs were fully amortized to income in 2010.

The third item relates to SaskPower's contribution to the Plan as a result of a binding court settlement from a legal action that was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Plan. The settlement requires SaskPower to pay $81 million into the Plan in three equal instalments over three years. The first payment of $27 million was completed on December 15, 2009, after the actuarial valuation date. On June 28, 2010, a second payment of $27 million was made to the Plan. These contributions totalling $54 million are reflected above as employer funding contributions in 2010. The final payment is due July 1, 2011.

(b) Benefit expense

In 2010, using long-term assumptions as noted in (c), the Corporation recorded a non-cash pension expense of $53 million (2009 – $36 million). This amount was recorded in the Corporation's operating, maintenance and administration expense. The following is a summary of the calculation of the pension expense:

(in millions)	**2010**	2009
Cost arising from events during the year		
SaskPower's current service cost	**$ 5**	$ 6
Interest on accrued benefit obligation	**49**	49
Actual return on plan assets	**(50)**	(23)
Actuarial loss on accrued benefit obligation	**71**	24
Future benefit costs before adjustments	**75**	56
Adjustments to recognize the long-term nature of cost		
Difference between actual and expected return on plan assets	**4**	(22)
Amortization of past service costs	**3**	12
Difference between amortization of net actuarial loss (gain) and actual actuarial loss (gain) on accrued benefit obligation	**(29)**	(10)
Total adjustments	**(22)**	(20)
Pension expense recorded in operating, maintenance and administration	**$ 53**	$ 36

(c) Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at September 30 are:

	2010	2009
Discount rate, beginning of year	**6.00%**	6.25%
Discount rate, end of year	**5.00%**	6.00%
Expected long-term rate of return on plan assets, beginning of year	**6.75%**	6.75%
Expected long-term rate of return on plan assets, end of year	**6.75%**	6.75%
Long-term rate of compensation increases	**3.50%**	3.50%
Remaining service life (years)	**1.33**	1.93
Long-term inflation rate	**2.50%**	2.50%
Assumptions for benefit increases (percentage of CPI)	**70.00%**	70.00%

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by CICA. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate is based on the nominal forward curve for high quality Canadian corporate bonds at September 30, 2010. The expected long-term rate of return on Plan assets is based upon the asset mix of the Plan and expected returns for each asset class.

(d) Benefit plan asset allocation

	2010	2009
Equity securities	**56.3%**	57.1%
Debt securities	**35.1%**	34.2%
Short-term securities	**0.3%**	0.6%
Real estate and infrastructure	**8.3%**	8.1%
	100.0%	100.0%

(e) Benefit payments

The benefit payments expected to be made to beneficiaries over the next five years are as follows:

(in millions)	2011	2012	2013	2014	2015
Expected benefit payments	$ 61	$ 64	$ 66	$ 67	$ 66

Defined contribution pension plan

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current service. These contributions are charged to income when made. The net expense for the defined contribution pension plan is as follows:

(in millions)	2010	2009
Defined contribution pension plan expense	**$ 12**	$ 12

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan and a voluntary early retirement plan. A reconciliation between the opening and closing employee future benefits liability balance is provided below:

(in millions)	2010	2009
Employee future benefits liability, beginning of year	**$ 46**	$ 43
Pension expense	**13**	12
Benefits paid	**(11)**	(9)
Employee future benefits liability, end of year	**$ 48**	$ 46
Present value of employee future benefits liability	**$ 57**	$ 60

The significant actuarial assumptions adopted in measuring the Corporation's employee future benefits liability at September 30 are:

	2010	2009
Discount rate	**3.00% – 3.50%**	3.00% – 4.00%
Long-term rate of compensation increases	**3.50%**	3.50%
Remaining service life (years)	**8.52**	8.73

29. Comparative figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Five-year financial summary

(in millions)	**2010**	2009	2008	2007	2006
Consolidated statement of income					
Revenue					
Saskatchewan electricity sales	**$ 1,575**	$ 1,447	$ 1,385	$ 1,356	$ 1,269
Exports	**12**	12	33	57	29
Gross margin from electricity trading	**1**	7	17	11	15
Other revenue	**163**	80	54	45	40
Total revenue	**1,751**	1,546	1,489	1,469	1,353
Expense					
Fuel and purchased power	**511**	499	573	494	498
Operating, maintenance and administration	**641**	523	430	416	360
Depreciation and amortization	**258**	233	234	219	207
Finance charges	**139**	149	153	167	161
Taxes	**42**	39	35	35	34
Total expense	**1,591**	1,443	1,425	1,331	1,260
Net income	**$ 160**	$ 103	$ 64	$ 138	$ 93
Unrealized market value adjustments	**19**	(7)	30	12	–
Operating income	**$ 179**	$ 96	$ 94	$ 150	$ 93
Consolidated statement of financial position					
Assets					
Current assets	**$ 372**	$ 365	$ 342	$ 423	$ 359
Property, plant and equipment	**4,535**	4,258	3,890	3,722	3,679
Intangible assets	**24**	25	11	12	16
Debt retirement funds	**291**	246	212	237	201
Equity investments	**34**	32	29	30	32
Other assets	**12**	22	36	51	77
Total assets	**$ 5,268**	$ 4,948	$ 4,520	$ 4,475	$ 4,364
Liabilities and equity					
Current liabilities	**$ 495**	$ 574	$ 270	$ 605	$ 312
Long-term debt	**2,778**	2,567	2,571	2,225	2,449
Employee future benefits	**66**	46	43	42	38
Other liabilities	**137**	129	107	88	97
Equity	**1,792**	1,632	1,529	1,515	1,468
Total liabilities and equity	**$ 5,268**	$ 4,948	$ 4,520	$ 4,475	$ 4,364
Consolidated statement of cash flows					
Cash provided by operating activities	**$ 441**	$ 342	$ 320	$ 373	$ 255
Cash used in investing activities	**(518)**	(582)	(377)	(248)	(258)
Cash provided by (used in) financing activities	**74**	232	(21)	(61)	(42)
(Decrease) increase in cash position	**$ (3)**	$ (8)	$ (78)	$ 64	$ (45)
Financial indicators					
Dividends	**$ –**	$ –	$ 46	$ 97	$ 61
Capital expenditures	**$ 565**	$ 640	$ 422	$ 280	$ 285
Return on equity	**9.3%**	6.5%	4.2%	9.3%	6.4%
Operating return on equity	**10.4%**	6.1%	6.2%	10.1%	6.4%
Per cent debt ratio	**59.7%**	61.4%	60.7%	59.7%	61.0%

Five-year revenue statistics

	2010	2009	2008	2007	2006
Number of Saskatchewan electricity customers					
Residential	**340,518**	334,684	328,719	321,183	315,203
Farm	**61,577**	62,245	62,712	63,384	64,273
Commercial	**55,714**	55,853	54,563	53,917	53,574
Oilfield	**15,098**	14,461	13,932	13,147	12,437
Power	**98**	84	78	80	80
Reseller	**2**	2	2	2	2
	473,007	467,329	460,006	451,713	445,569
Total electricity sales (in millions)					
Residential	**$ 382**	$ 356	$ 322	$ 311	$ 288
Farm	**141**	136	125	127	118
Commercial	**339**	320	297	292	279
Oilfield	**234**	215	203	192	176
Power	**404**	346	366	362	337
Reseller	**75**	74	72	72	71
Saskatchewan electricity sales	**1,575**	1,447	1,385	1,356	1,269
Exports	**12**	12	33	57	29
Total electricity sales	**$ 1,587**	$ 1,459	$ 1,418	$ 1,413	$ 1,298
Total electricity sales (GWh)					
Residential	**2,882**	2,865	2,721	2,643	2,531
Farm	**1,292**	1,338	1,306	1,329	1,272
Commercial	**3,386**	3,407	3,311	3,269	3,239
Oilfield	**2,872**	2,742	2,682	2,541	2,399
Power	**6,932**	6,139	6,898	6,854	6,666
Reseller	**1,254**	1,274	1,274	1,287	1,293
Saskatchewan electricity sales	**18,618**	17,765	18,192	17,923	17,400
Exports	**244**	224	409	851	480
Total electricity sales	**18,862**	17,989	18,601	18,774	17,880
Average electricity sales price ($/MWh)					
Residential	**$ 133**	$ 124	$ 118	$ 118	$ 114
Farm	**109**	101	96	96	93
Commercial	**100**	94	90	89	86
Oilfield	**81**	78	76	76	73
Power	**58**	56	53	53	51
Reseller	**60**	58	57	56	55
Exports	**49**	56	81	67	60
Total weighted average electricity sales price	**$ 84**	$ 81	$ 76	$ 75	$ 73
Average annual usage per residential customer (kWh)	**8,464**	8,560	8,278	8,229	8,030
Electricity trading					
Electricity trading sales (in millions)	**$ 42**	$ 74	$ 125	$ 125	$ 118
Electricity trading sales (GWh)	**613**	1,461	1,813	1,897	1,649

Five-year generating and operating statistics

	2010	2009	2008	2007	2006
Net electricity supplied (GWh)					
Coal	**12,038**	12,317	11,405	11,661	11,102
Gas	**3,682**	3,432	3,812	3,545	3,556
Hydro	**3,866**	2,962	4,030	4,393	4,032
Wind	**507**	579	574	620	573
Imports	**518**	440	587	316	451
Other	**148**	134	72	36	–
Gross electricity supplied	**20,759**	19,864	20,480	20,571	19,714
Line losses	**(1,897)**	(1,875)	(1,879)	(1,797)	(1,834)
Net electricity supplied	**18,862**	17,989	18,601	18,774	17,880
Available generating capacity (net MW)					
Coal	**1,686**	1,682	1,682	1,661	1,661
Gas	**1,251**	1,113	914	977	977
Hydro	**853**	853	853	853	853
Wind	**172**	172	172	172	172
Other	**20**	20	20	5	5
	3,982	3,840	3,641	3,668	3,668
Peak loads (net MW)					
Annual peak load	**3,162**	3,231	3,194	2,969	2,960
Minimum load	**1,636**	1,561	1,664	1,583	1,510
Summer peak load	**2,750**	2,773	2,834	2,879	2,706
Lines in service (km)					
Transmission	**12,705**	12,404	12,311	12,216	12,212
Distribution	**137,380**	137,093	136,807	136,593	136,379
	150,085	149,497	149,118	148,809	148,591
Number of permanent full-time employees	**2,727**	2,653	2,541	2,488	2,458

System map

As at December 31, 2010

AVAILABLE GENERATION (net capacity)

■ HYDROELECTRIC

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 101 MW
4. Nipawin Hydroelectric Station - 255 MW
5. E.B. Campbell Hydroelectric Station - 288 MW
13. Coteau Creek Hydroelectric Station - 186 MW

■ NATURAL GAS

3. Meadow Lake Power Station - 44 MW
7. Yellowhead Power Station - 138 MW
9. Ermine Power Station - 92 MW
10. Landis Power Station - 79 MW
12. Queen Elizabeth Power Station - 430 MW
15. Success Power Station - 30 MW

■ WIND

16. Cypress Wind Power Facility - 11 MW
18. Centennial Wind Power Facility - 150 MW

■ COAL

20. Poplar River Power Station - 582 MW
21. Boundary Dam Power Station - 828 MW
23. Shand Power Station - 276 MW

■ INDEPENDENT POWER PRODUCERS

6. Meridian Cogeneration Station - 210 MW
8. NRGreen Kerrobert Heat Recovery Project - 5 MW
11. Cory Cogeneration Station - 228 MW
14. NRGreen Loreburn Heat Recovery Project - 5 MW
17. SunBridge Wind Power Project - 11 MW
19. NRGreen Estlin Heat Recovery Project - 5 MW
22. NRGreen Alameda Heat Recovery Project - 5 MW

TRANSMISSION

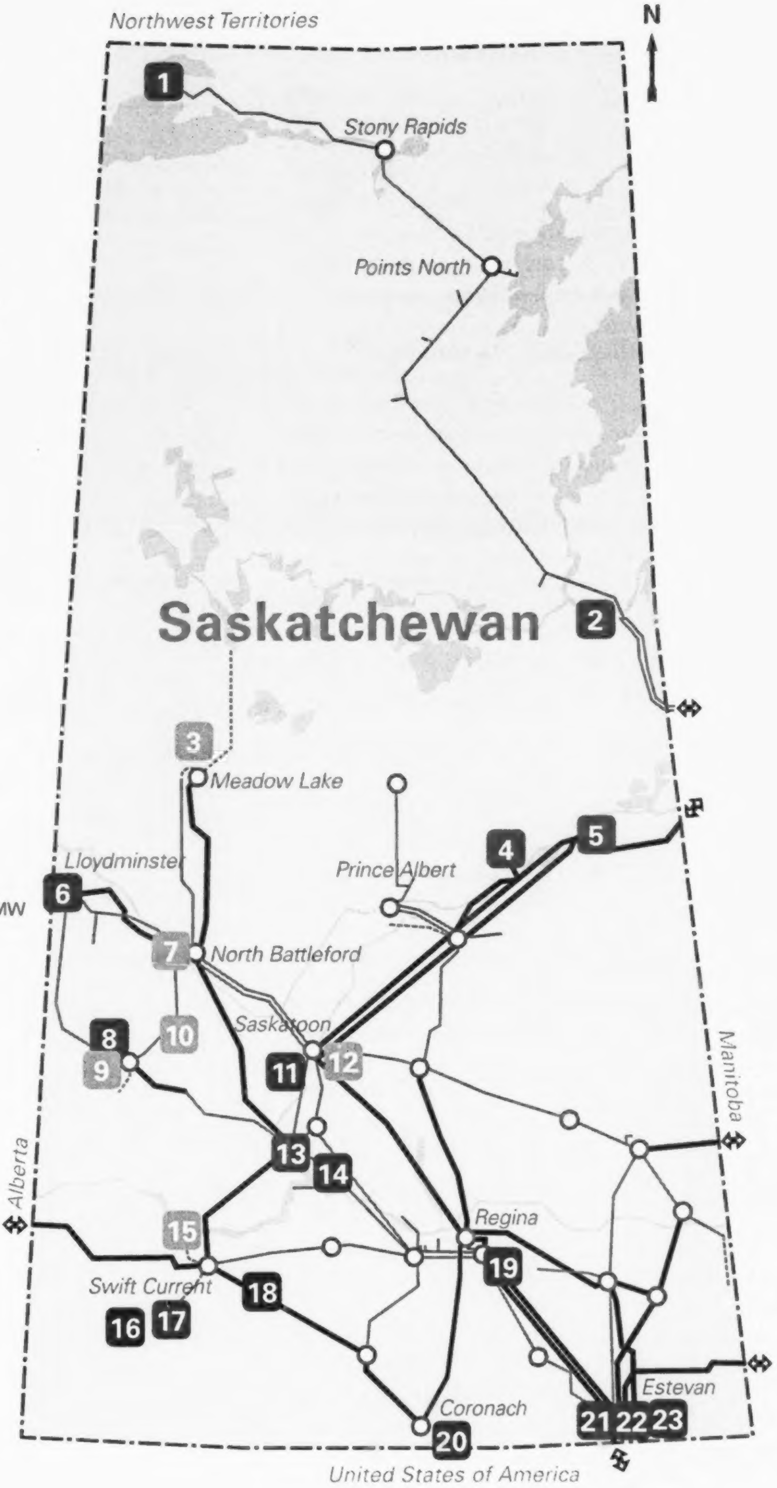
━ 230 kV

— 138 kV

------- 138 kV line operating at 72 kV

○ Switching station

⬄ Interconnection


Northwest Territories
N
1
Stony Rapids
Points North
Saskatchewan
2
3
Meadow Lake
4
5
Lloydminster
Prince Albert
6
7
North Battleford
Saskatoon
8
10
9
11
12
Manitoba
Alberta
13
14
15
Regina
19
Swift Current
18
16
17
Estevan
Coronach
21
22
23
20
United States of America

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK.

Saskatchewan Power Corporation
2025 Victoria Avenue | Regina, Saskatchewan
Canada S4P 0S1
saskpower.com